

AN EVALUATION OF SELF-HELP AFFINITY GROUPS PROMOTED BY MYRADA

Study Conducted BY
APMAS
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MYRADA
Bangalore



APMAS
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Hyderabad
Plot No.20, Rao & Raju Colony
No.2, Banjara Hills, Hyderabad 500 034

K. Raja Reddy
APMAS

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Aloysius P Fernandez, Myrada

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List Of Acronyms

APMAS	:	Mahila Abhivrudhi Society, Andhra Pradesh
ATP	:	Anantapur
BC	:	Backward Category
BL	:	Borderline
BoD	:	Board of Directors
BPL	:	Below Poverty Line
CBO	:	Community Based Organization
CRN	:	Chamarajnar
CRP	:	Community Resource Person
CTD	:	Chitradurga
Cum.	:	Cumulative
F	:	Frequency
GP	:	Gram Panchayat
HH	:	Household
IGA	:	Income Generation Activity
IKP	:	Indira Kranthi Patham
LPG	:	Liquid Petroleum Gas
MFI	:	Microfinance Institution
Min	:	Minorities
MYRADA	:	Mysore Resettlement and Development Agency
N	:	Number
NBFC	:	Non-banking Financial Corporation
NGO	:	Non-Government Organization
NREGS	:	National Rural Employment Guarantee Scheme
NTFP	:	Non-Timber Forest Produce
OAP	:	Old Age Pension
OC	:	Open Category
PAR	:	Portfolio at Risk
PDS	:	Public Distribution System
RC	:	Resource Centre
RCM	:	Resource Centre Manager
RF	:	Revolving Fund
RMG	:	Rythu Mithra Group
RR	:	Repayment Rate
SAGs	:	Self Help Affinity Groups
SC	:	Scheduled Caste
SGSY	:	Swarnajayanthi Gram Swarojgar Yojana
SS	:	Self Sufficient
ST	:	Scheduled Tribe
VO	:	Village Organization
VP	:	Very Poor

Chapter 1

Introduction

1.1 BACK GROUND OF THE STUDY

Myrada, an NGO engaged in rural development, is managing 18 projects in 12 backward districts of Karnataka, Andhra Pradesh and Tamilnadu. Myrada has promoted Self Help Affinity Groups (SAGs) as a tool for empowerment of the poor and the promotion of their livelihood strategies. As on March 2009 MYRADA is working with 9,747 SAGs that have a combined membership of 153,490 women and men; together they have a common fund of Rs. 152,55,47,599, of which Rs. 72,73,02,751 is their savings and Rs. 42,33,00,018 the interest on loans. The SAGs have disbursed a cumulative number of 10,33,520 loans for an amount of Rs. 393,48,09,490.

Several in house studies were carried out on SAGs promoted by Myrada to help MYRADA to analyze their progress. However, there were no independent studies on quality, sustainability and impact of SAGs. Myrada approached APMAS, an organization with rich experience in the SAG concept, to conduct a study of the SAGs. APMAS is a national level technical organization with a vision of “Sustainable Women SHG Movement in India”. It provides four kinds of services- capacity building, quality assessment, research & advocacy and livelihoods promotion. Myrada signed an MoU with APMAS to conduct this SAG study.

1.2 OBJECTIVE

The overall objective is to assess whether the assumption made by Myrada in the 80s - *that the Self help affinity groups are the appropriate peoples institutions of the poor which provide the space for the members to develop a livelihood strategy and to acquire the skills and confidence to initiate change in themselves, in their relations at home and in society and linkages with other institutions* - is a valid one.

The study does not intend to compare the SAGs formed by Myrada with those formed by others. Myrada had some assumptions. Others have their own assumptions. What Myrada wants to understand is whether its assumptions have proved to be valid.

By a “livelihood strategy”, Myrada means that: a) the poor do not have a single or even two large income generating activities; they take several loans for several income generating activities including those based on assets (cows, land, agriculture) as well as non-assets like trading and repaying high cost loans; b) the whole family is involved and hence the nature and size of loans taken depend on the willingness and ability of family members; as a result the strategy of each household differs; c) loans for food, clothing, education and to get a job in Government are all part of a livelihood strategy. Data collected by Myrada shows that in the initial years, they take many small loans for food and health, but gradually the loans are for income generating activities of several types; they also become larger. There is also a trend that as loans get larger, the number of activities gets reduced. After 8 years or so the trend of the purposes of loans is off farm including getting a Government job. It is also clear that each family has a different set of livelihood activities. If this trend does not emerge, Myrada considers that its investment in the area in promoting a livelihood base has not been successful.

The specific objectives of the present study are:

- (i) to assess the quality of SAGs and the practices and processes that are working well to promote empowerment process and livelihood strategies;
- (ii) to analyse the financial performance of the SAGs;
- (iii) to analyse the loan utilization pattern and repayment practices;
- (iv) to understand the impact of the SAG’s relations and linkages with financial institutions (banks/MFI etc), Government and resource agencies;
- (v) to assess the impact on livelihoods and empowerment;
- (vi) to assess equity within the group, management skills, assertiveness and gender roles and perceptions both within the family and in the community;
- (vii) to identify the perceptions that the community/family members have of the SAGs and their impact; and
- (viii) to understand the role of the staff of Myrada and Community Managed Resource Centre (CMRC) with regard to SAGs.

In India there are more than 5,000,000 Self Help Groups (SHGs), majority of them promoted by various government departments and schemes. A homogeneous group of 10-20 women comes together for a common objective of coming out of poverty through self-help and mutual benefit. Each SHG has its own norms regarding meetings, savings, lending, repayment, bookkeeping and engaging in social activities. MYRADA calls their groups as Self Help Affinity Groups (SAGs). Myrada realized that there was a strong feeling of ‘affinity’, which linked the members of each of these small

groups together. This affinity was based mainly on relations of trust, relations that were non-exploitative, on certain ‘social features’ like a degree of homogeneity among the members, a degree of voluntarism and self reliance and willingness to support one another in need, on certain ‘structural features’ like a common origin (blood or ancestral village) or the same livelihood base (all daily wage earners, landless or marginal farmers, even though from different castes, religions or communities), on ‘gender bonds’ (all women, or all men, though about 5% of the groups were mixed). In a few cases, they were based on similar activities undertaken by each member (like basket weavers); a large group of households undertaking a similar activity often decided to break up into smaller groups of 10-15 on the basis of affinity.

1.3 STUDY DESIGN

Sampling design: The universe of the present study is the self-help affinity groups (SAGs), which are more than 8 years old promoted by Myrada. The study covers 60 SAGs of 3 districts in 2 states (Anantapur district in Andhra Pradesh; Chamarajnar and Chitradurga districts in Karnataka). Further, for the in-depth analysis of loans and livelihood actives, 120 individual SAG members, two each from a sample SAG, who have borrowed more than Rs. 75,000 or the highest number of loans and amount from the group, were selected. The following paragraph gives the details of the sample units and the criteria followed in selecting these units at various levels.

Sample unit	Selection criteria
Universe	Self help affinity groups more than 8 years old promoted by Myrada in Andhra Pradesh and Karnataka
State	Two states were selected from 3 states in which Myrada has been working for over 10 years
District/ Block	Districts with the maximum number of SAGs more than 8 years old, and the presence of CMRCs were selected.
Villages	Villages with a large number of older SAGs were selected. If there was more than one habitation with groups over 8 years old, the sample covered more than one habitation.
SAGs	Within a selected village, 2 SAGs were chosen based on stratified random sampling method.
Members	From each of the selected SAGs, two members who have borrowed the highest cumulative amount of loans were selected for some components of this study, which are indicated in the text.

Data collection techniques: Data was gathered from both primary and secondary sources. Primary sources included SAGs and their members, household members of SAG members, community and staff of CMRC. Secondary sources included project reports, annual reports and in-house research studies conducted by Myrada based on the computerized MIS.

Both quantitative and qualitative techniques such as individual interviews, interactions with SAGs, focus group discussions (FGDs) with SAGs members and case studies were employed to gather information. Two separate structured interview schedules were prepared to collect information from the SAGs and the SAG member's household. To calculate the asset quality of SAGs, another format was developed to collect loan details of SAGs and their members. 120 members were selected for this component. To understand the dynamics in the economic status of the SAG members, an Objective Wealth Ranking (OWR) exercise was done with all the SAGs selected for the study. Besides, a checklist was prepared to facilitate focus group discussions with SAGs. The study team used 5 different formats to collect information from different sample units. The following table shows the type of tools, information sources and the data variables covered under each tool.

The study team & orientation: The study team consisted of four members- 2 from APMAS and 2 from Myrada. APMAS study team members played a lead role, while Myrada team members played a supportive role. After finalization of the study design and tools, all the team members were oriented on the study design, tools to be used and the precautions to be followed during selection of samples, use of various tools for data collection, data recording, editing of filled formats, data entry and the need to ensure accuracy and objectivity in the study. All the members of the study team visited one of the sample villages to practice/test the tools and to build a common understanding among all the study team members to ensure quality and to avoid inconsistencies in data collection.

Fieldwork: Area & period of study: Three field visits were organized. The first field visit was to Kamasamudram Project in Kolar district of Karnataka state on 12th & 13th of March 2009, to get an overview of SAGs and to develop data collection tools. The second field visit was organized from 3rd to 5th May 2009, again to Kamasamudram and Bangalore Head Office, to test the draft tools, and to finalize the tools and study design in consultation with Myrada. The third field visit was organized in three phases – from 17th-24th in Myrada-Chitradurga project in Chitradurga district of Karnataka, from 28th May to 3rd June 2009 in Myrada-Kadiri project in Anantapur district of Andhra Pradesh and from 8th-16th June 2009 in Myrada-Kollegal project in Chamarajnagar district of Karnataka.

Limitations of the study: Following are the limitations of the study:

- ◆ The sample of 120 SAG members selected to test asset quality was restricted to those who have borrowed a cumulative loan of more than Rs. 75,000 or the highest amount. Hence, these results cannot be applied to all the members in the groups.
- ◆ Loan repayment schedule was not available for some of the sample groups in order to compute repayment rate and portfolio at risk.

Caution: The study does not intend to compare the SAGs formed by Myrada with those formed by others.

1.4 DATA ANALYSIS

The data collected from SAGs and their member households, community, CMRC staff and Board of Directors was transferred into the prepared formats. All the filled in formats were edited and coded. Before entering data into the computer, data entry formats were prepared and data was entered. Once the data entry was completed, the study team randomly checked entries to ascertain whether the data was entered correctly or not. After editing, the entire data was transferred to Statistical Package for Social Sciences (SPSS) for further analysis. Simple statistical techniques such as percentages, averages and dispersion were applied to analyze the quantitative data. Besides, qualitative data was also entered into the computer for further analysis. The data was analyzed at different levels- at SAGs, SAG members and CMRC levels. To address the research questions and the relationships between variables, frequency tables, comparative tables and graphs were prepared to draw meaningful inferences. The qualitative data was used wherever necessary to support the findings and inferences drawn from the quantitative data.

1.5 REPORT WRITING

The findings of the study are presented in eight chapters. Chapter-1 describes the objectives and research design of the study. Chapter-2 depicts the formation of the SAGs and the profile of SAGs and their household members. Chapter-3 assesses the performance of SAGs with reference to savings, meetings, bookkeeping and leadership. Chapter-4 analyses fund mobilization, access to credit, purpose of loans & livelihood strategies, repayment and default management. Chapter-5 describes the social activities and role of SAGs in development programmes; Chapter 6 describes the services from CMRC to SAGs and issues that concern CMRCs. Chapter 7 focuses on dynamics at the group, community and household levels and on women's empowerment. Chapter 8 provides a summary & conclusions.

Chapter 2

Formation and Profile Of Self Help Affinity Groups

2 The present chapter focuses on how and why the poor formed into groups, and who motivated them. How did they select some members and reject the others. Did all the members who enrolled in groups continue or not? If not, what were the reasons for dropping out. The socio-economic conditions of a sample of SAG members who have borrowed the largest number of loans and amounts are also discussed in this chapter.

2.1 FORMATION OF SAGS

To understand how the poor formed into groups, data was collected on who motivated them. Before joining the SAG, were they in any groups? How did they select the members, whom did they include and exclude, how long did it take to form into a group and why did they form into a group. The study team collected this data during focus group discussions with SAGs.

During focus group discussions, the members reported that many key persons in the community (NGOs, government bodies and old groups in the village) motivated them to form into a SAG. Of all these, Myrada has played a key role in motivating and forming the groups. According to SAG members, Myrada has organized 3 to 4 meetings with a gap of one week at village level, one to one meetings with key persons and exposure visits to other groups to demonstrate the advantages of groups and the group formation process. Some groups have mentioned that they were motivated by the benefits that the members of DWCRA groups and Rythu Mithra Groups received from the government. Some groups responded that they received constant support from old groups, the ICDS teacher and the Milk Cooperative Secretary in the village. A group reported that as one group refused to let a woman join their group, she herself formed a group with her fellow workers of a cotton mill.

Selection of SAG members: While forming a group, they drew up criteria to select

members or reject others. During focus group discussions, most of the groups reported that they considered the following criteria while selecting / rejecting members.

Criteria	Inclusion	Exclusion
Geographic aspects	Preference to women staying in the same street, area, locality and village	Low preference to women staying in other streets, areas and villages
Economic aspects	Poor, but can mobilise savings and pay loan installments regularly; same livelihood activity	Rich/non-poor; regular job holders; those who can't or will not save and pay loan installments regularly
Group related	Can/willing to attend group meetings regularly; Willing to respect group norms/procedures; Number restricted to 20 members	Unwilling to attend meetings regularly; Not willing to respect group norms/ procedures
Social aspects	Many members are known to each other - relatives, friends, some have working relationships; Preference to same caste; More preference to non-migrant households	Unknown people not admitted/selected as members Other castes. Low preference to migrant households
Personal aspects	Good character; friendly; helps others; patient and has faith in others. Mixes freely with others; Preference to literates; but illiteracy is not a bar. Preference to young and middle age women; Preference to women having experience in managing the group; Interest of both the members and household members, especially husband	Quarrelsome, unfriendly, nuisance, no faith in others; attitude of dominating others. Older people Women who defaulted in DWCRA groups not selected; Low preference to women whose household members are not interested

The above criteria reveal that the groups have taken care while selecting or not selecting members of a group; this is required for smooth functioning and sustainability

Purposes of forming/joining SAGs: During focus group discussions, the members mentioned the following reasons for forming/joining a group :

- ◆ *To avail of credit to take up income generation activities and for fulfilling social needs/obligations;*
- ◆ *To promote savings and/ or to minimize household consumption expenditure in order to meet future needs such as children's education & marriages, health, old age security and to build a house;*
- ◆ *To avail credit quickly and at low interest rates, without collateral and with flexible repayment norms, unlike moneylenders whose lending norms are rigid, who charge high interest rates and who demand collateral.*
- ◆ *To avail benefits from Myrada, NGOs, and government channeled through SAGs like revolving fund, interest free loans, housing support, skill improvement trainings, watershed programs, agricultural support and other pro-poor programmes; and*
- ◆ *To develop awareness about what is happening around them and help each other for their all round development.*

2.2 PROFILE OF GROUPS

Composition of SAGs: Homogeneity and/ or heterogeneity of the groups play a critical role in its functioning. The term homogeneity applies to 'same/similar' caste, economic activity or socio-economic status. The term heterogeneity applies to groups whose members belong to 'different' castes, occupations or economic categories.

To assess the caste homogeneity of SAGs all the sample SAGs were categorized into six categories namely (i) Scheduled Tribe, (ii) scheduled caste/Dalits iii) Backward classes (iv) Minorities, (v) Open Category and (vi) Mixed. In a 20-member group, if 14 and above members belong to ST, then the group was classified as 'ST'. If no social category has over two-third of its members or several social categories had small representation, then those groups are categorized as 'mixed'. Most of the groups are homogenous in terms of social & economic categories.

The data shows that of the total 60 sample SAGs, nearly half of the groups (47%) fell into the OC category followed by BC (22%) and 'Mixed' (15%); and the remaining are ST (5%), SC (7%) and Minorities (5%). Further, it also shows that the percentage of

OC-SAGs is more than double compared to the percentage of BC-SAGs. It reveals that majority of SAGs formed were numerically dominated by a particular caste.

Table-2.1: Social Categorization of SAGs					
Social category	District			Total	%
	Anantapur	Chamarajnaragar	Chitradurga		
1. ST	-	-	3	3	5.00
2. SC	1	1	2	4	6.67
3. BC	9	2	2	13	21.67
4. Min	1	1	1	3	5.00
5. OC	5	16	7	28	46.66
6. Mixed	4	-	5	9	15.00
Total	20	20	20	60	100.00

Age: In many cases, NGOs provide significant inputs in the initial years and the SAGs are expected to manage their affairs after 5-6 years. As we mentioned under sampling methodology all the sample groups are more than eight years old. The age of the sample groups varies from 8.1 years to 20 years with an average age of 10 years. Of the total 60 sample SAGs, 55% are 8 to 10 year old groups; and the remaining 45% are 11 to 20 years old. All the sample SAGs in Anantapur district are 8 to 10 years old. However, in Chamarajnaragar and Chitradurga districts, the majority of the groups are more than 10 years old. A larger number of old groups are found in Chitradurga when compared to Chamarajnaragar.

Group size: The group size varies from 8 to 20 members with an average of 15. The group size also varies from district to district. The average group size is 12 in Anantapur, 15 in Chitradurga and 17 in Chamarajnaragar. Majority of groups in Anantapur comprise less than 13 members and no sample group has more than 15 members. The majority of groups in Chamarajnaragar and Chitradurga comprise more than 14 members. The data shows that of the total 60 SAGs, 68% of the groups consist of between 13 to 18 members.

The group size at present is different from the time of formation. The SAGs were larger at the time of formation than at present. The data shows that the 60 sample SAGs were formed with 1071 members. Whereas at present, there are only 871 mem-

bers. The average size of the group at the time of formation was 18 members with a minimum of 10 and maximum of 28 members. Of the 60 sample SAGs, 72% of SAGs were formed with 15 to 20 members. However, more than 50% of groups consist of less than 15 members at

No. of Members	At the beginning		At present	
	F	%	F	%
1. Up to 10	1	1.67	7	11.67
2. 11-12	4	6.67	7	11.67
3. 13-14	3	5.00	17	28.33
4. 15-16	17	28.33	12	20.00
5. 17-18	6	10.00	12	20.00
6. 19-20	20	33.33	5	8.33
7. > 20	9	15.00	-	--
Total	60	100.00	60	100.00

present where as at the time of formation only 13% of groups had less than 15 members. Further, at present no group consists of more than 20 members, where as at the beginning, 15% of groups were formed with more than 20 members. This could partly be due to the stipulation that members must be less than 20 to be eligible under the SHG – Bank linkage.

2.2.1 DROPOUTS

Of the 60 sample SAGs, except 3 SAGs, all groups reported a total of 305 drop-outs. In both Anantapur and Chamarajnagar, all groups have reported dropouts. The number of dropouts in a group varies from 1 to 15 members with an average of 5. The data shows that of the 57 SAGs which reported dropouts, majority of SAGs (59.8%) have reported 1 to 5 dropouts followed by 6 to 10 (29.8%) and 11 to 15 (10.5%). During focus group discussions, SAGs have reported that many members dropped out from the group especially during initial years.

Of the total 57 SAGs with dropouts, 29.8% SAGs replaced dropouts with 58 new members; 17.5% replaced 20 dropouts with a household member of the drop out.

During FGDs, the groups have reported the reasons for dropouts as:

- ◆ *Migration:* Many groups have reported that migration of SAG members to nearby towns/cities for employment and for children's education is one of the reasons for dropouts. In case of permanent migration, the members have withdrawn

- their membership. In some groups, the SAG made a decision to cancel their membership as the migrant members breached group norms.
- ◆ *Marriage:* Few groups have reported that SAG members after their marriages have moved to their husband's village. Therefore, they have withdrawn their membership from the SAG.
 - ◆ *Health reasons:* Chronic ill health of SAG members is one of the reasons for dropping out.
 - ◆ *Age & death:* Some groups have reported that few members were unable to attend evening meetings due to old age and dropped out. Death is another reason.
 - ◆ *Negative attitude of household members:* Because few members' husbands have raised objections, they have dropped out. During personal interactions, few members reported the reasons for husband's objections : as i) more work pressure on husband; ii) unsuitable meeting time and iii) suspicion about wife's character.
 - ◆ *Multiple memberships:* As the groups do not allow membership in more than one group, few members with multiple memberships have dropped out.
 - ◆ *Group norms and procedures:* Few groups have reported that some members dropped out due to their unwillingness to pay fine and unsuitable group meeting time such as late nights and at noon; This is a hurdle to members who mainly depend on labour.
 - ◆ *Long absenteeism:* One of the sample groups has dropped a member because of long absence due to pregnancy and even after delivery.
 - ◆ *Ineligible members- employed and non-poor:* Women whose husbands are employed and who were not poor joined the groups initially; but they dropped out due to increased awareness of members on group norms and continuous capacity building inputs of the promoters.
 - ◆ *To avail pro-poor programmes:* One of the groups has reported that all the 10 Scheduled Caste members separated and formed a new group under Sri Shakthi Programme to avail revolving fund and subsidy loan from DRDA.
 - ◆ *Caste hierarchy:* During focus group discussion, one of the groups reported that all the OC members belong to 'Nayak' caste left the group and formed a new group because they were unwilling to sit along with lower caste member, and to work under the leadership of lower social categories.
 - ◆ *Small volume of loan:* In some groups, members requested for large loans. Due to paucity of funds, groups have given small loans during the initial periods. As a result, few members were disappointed and stopped attending the meetings.

2.3 SOCIAL AND ECONOMIC PROFILE OF SAG MEMBERS

Social category:

The data shows that of the total 871 SAG members, the majority (51.09%) belong to Open Category (OC) followed by Backward Category (BC) (24.11%). All the other three social categories represent less than 10% each (ST- 9.87%;

SC-7.81%; and Minorities-7.12%). The highest percentage of OCs in the SAGs could be due to their willingness to join the SAGs when these groups were formed. Further, in many village, OCs are also very poor as they predominantly depend on dry land agriculture.

Of the total 120 sample SAG members selected for individual interviews, majority members belong to open category (55%) followed by backward category (25%); and the remaining 20% consists of ST (8.33%), SC (5.83%) and Minority categories (5.83%). These percentages reflected the social profile in most villages.

Literacy levels: The data on literacy levels shows that of the total 871 SAG members, more than two-third

are illiterate (69.69%). Of these illiterates, most of them have become neo-literates (57.18%) who can put their signatures on registers. Of the total literates, two-third graduated up to high school (9.18%)

Social Category	SAG Members		HH Members	
	F	%	F	%
1. ST	86	9.87	10	8.33
2. SC	68	7.81	7	5.83
3. BC	210	24.11	30	25.00
4. Min	62	7.12	7	5.83
5. OC	445	51.09	66	55.00
Total	871	100.00	120	100.00

Literacy level	SAG Members		HH Members	
	F	%	F	%
1. Illiterate	607	69.69	59	49.17
2. Primary	98	11.25	40	33.33
3. High school	142	16.30	15	12.50
4. College	24	2.76	6	5.00
Total	871	100.00	120	100.00

and college (2.76%); and the remaining one-third (11.25%) completed their primary education.

However, the data of the 120 sample SAG members shows that nearly half of them (49.17%) are illiterate followed by primary (33.33%), secondary (12.50%) and college (5%). The literacy levels of the 120 sample SAG members who borrowed large cumulative loan amounts is high (50.83%) compared to SAG members' literacy levels (30.11%). It shows that members who are literates have benefited with larger loan amounts.

Marital status: Of the total 871 SAG members, little over three quarters (75.55%) are married; the other quarter consists of widowed (17.8%), unmarried (3.79%) and separated (2.87%). The data shows the presence of a good number of widowed women in SAGs. It could be

because of selection of old groups for the study since most of the old groups were formed with middle-aged women. During data collection, the study team has observed that most of the unmarried SAG members are differently abled and aged

Marital status	SAG Members		HH Members	
	F	%	F	%
1. Married	658	75.55	105	87.50
2. Unmarried	33	3.79	2	1.67
3. Widowed	155	17.80	12	10.00
6. Separated	25	2.87	1	0.83
Total	871	100.00	120	100.00

members. Further, it was also observed that in many old groups, 4 to 6 members are more than 60 years old. Of the 120 sample members, majority (88%) are married followed by widowed/separated (11%); and the remaining negligible percentage are unmarried.

Type of family: Of the 120 sample SAG members, 78.33% are male-headed families and the remaining (21.67%) are female-headed. The term "female-headed family" describes families maintained or headed by the widow/ separated woman or the women whose husbands are chronically sick and/or differently abled and who are not significantly contributing to the household income.

Landholdings: The data shows that of the total 120 sample SAG members, the majority (69.17%) possessed less than 5 acres of land, followed by more than 5 acres (15.83%)

and landless (15%). Therefore, 85% of the sample members have a piece of land whether dry or wet or both. It could be because of presence of large percentage of OCs and BCs, which are generally land owning social categories. However, majority members are marginal and small farmers.

Economic status/ Objective Wealth Ranking (OWR): Data based on the Objective Wealth Ranking of SAG members (See Annexure 2– Objective Wealth Ranking-OWR) shows that of the total 871 members, majority (78%) are non-poor and the remaining 22% are poor (18%) and very poor (4%). Of the total non-poor, majority of them are borderline (39%) followed by self-sufficient (30%) and surplus (9%) categories.

Table-2.6: Wealth Ranking of SAG Members				
Economic Category	SAG Members		HH Members	
	F	%	F	%
1. Very Poor	36	4.13	1	0.8
2. Poor	156	17.91	13	10.8
3. Borderline	340	39.04	43	35.8
4. Self sufficient	258	29.62	42	35.0
5. Surplus	81	9.30	21	17.5
Total	871	100.00	120	100.0

The objective wealth rankings of the sample household members shows that of the total 120 SAG members, majority members belong to self-sufficient (35%) and surplus (17.5%) categories; 35.8% belong to the border line; and the remaining are poor (10.8%) and very poor (0.8%) categories.

Household income: The total annual household income from all sources of 120 sample SAG members is Rs. 11,111,910 with an average of Rs. 92,599. The data shows that of the total 120 sample SAG members, little more than half (50.9%) have household incomes of more than Rs. 75,000 per annum. Another half of the members have annual household income less than Rs. 75,000. Among OC and Minority social categories, majority households' income is more than a lakh. More or less half of the SC and BC members' household income is less than Rs. 50,000.

Table-2.7: Social Category and Annual HH Income of SAG Members							
S. No	Income Rs. In '000	Social category					Total
		ST	SC	BC	Min	OC	
1	< 25	--	23.1	11.6	4.8	--	8.3
2	26 - 50	--	30.8	34.9	11.9	14.3	22.5
3	51 - 75	100.0	15.4	18.6	16.7	19.0	18.3
4	76 - 100	--	7.7	16.3	16.7	9.5	14.2
5	101- 125	--	7.7	4.7	26.2	14.3	14.2
6	> 125	--	15.4	14.0	23.7	42.8	22.5
Total		100.0	100.0	100.0	100.0	100.0	100.0

The data also shows that the average household income of the Minorities (Rs. 126,743) and OC (Rs. 100, 397) categories is high when compared to ST (Rs. 75,270), SC (Rs. 71,357) and BC (Rs. 78,210) categories. Of the categories of SAG members, the average household income of the borderline (Rs. 68,327) and poor (Rs. 67,061) is low when compared to the SAG members of self-sufficient (Rs. 103,762) and surplus (Rs. 136,857) categories.

Position in the group and other CBOs: Of the total 120 sample SAG members, the highest number (42%) of borrowers are 'members' in the group followed by 'ex-representatives' (37.5%) and 'present representatives' (20%). If we correlate this data with the percentage of group members not selected at least once as representatives (36.8%), it shows that position in the group is not relevant to access large credit on par with representatives and ex-representatives. The data shows that very few Sample SAG members are represented in other community-based organizations in the village such as Watershed groups (4.17%), Vana Samrakshana Samithi (VSS) (3.33%), School Educational Committees (1.67%), Panchayat Raj Institutions (0.83%) and Village Development Council (2.5%).

2.4 CONCLUSIONS

Myrada has motivated and mobilized the poor to form into groups through various capacity building processes. Besides Myrada, Depts. of Rural Development and Women & Child Development also promoted self-help groups under various programmes. The old groups promoted by Myrada demonstrated the advantages of SAGs to the poor, and

became models to others. Majority of the members joined groups to avail credit on easy lending norms unlike traditional credit sources, to fulfill household credit needs, social obligations and to take up income generation activities. To ensure effective functioning of SAGs, groups have followed certain criteria to include/ or exclude some of the members into/or from the group. Many groups express the opinion that Myrada promoted groups are still existing, even after 15 years because of the foundation that Myrada has laid during formation of the groups especially the capacity building inputs to form and strengthen the groups.

Most of the groups are homogenous in terms of social & economic categories. However, in terms of age of SAG members, the majority of the groups are heterogeneous. A significant number of members enrolled have withdrawn membership, especially during initial years. Nevertheless, there is replacement of dropouts and new memberships. With regard to the SAG profile, OCs dominate numerically followed by BCs, illiterate, married, and poor (& very poor economic categories). The majority SAG members who have borrowed highest number of loans and amounts are also OCs followed by BCs, literates, ex-representatives of groups, and poor and very poor categories. Those who were educated also borrowed larger loan amounts.

Chapter 3

Organisational Features of SAGs

In this chapter, an attempt is made to analyse the salient features of SAGs i) the nature of savings and utilization, ii) meetings and quality of book keeping, iii) leadership in SAGs, iv) the processes and good practices that contributed towards well functioning SAGs, v) how these good practices enhanced the skills of individual members.

3.1 SAVINGS

Types of savings: There are two types of savings: i) compulsory and ii) voluntary. Few groups have only compulsory savings. In groups which have the practice of compulsory savings, all the members save an equal amount. Whereas in groups that have both voluntary and compulsory savings, members are free to save any amount as voluntary savings after depositing the compulsory savings amount which is equal. Of the 60 sample SAGs, one half of the groups have the practice of both compulsory and voluntary savings and another half of the groups have the practice of compulsory savings only. If we analyze both groups, we find that those SAGs that have distributed profits or group earnings or paid dividend to their members have the practice of voluntary savings as well as compulsory savings.

Periodicity: Myrada promotes weekly savings. The data shows that of the 60 sample SAGs, 85% are saving weekly, 13.33% are saving monthly and 1.67% fortnightly. All the groups in Chamarajnaragar have the practice of weekly savings. However, 6 out of 20 in Anantapur and 2 out of 20 in Chitradurga have the practice of monthly savings.

3.1.1 Amount of savings

The amount of saving varies from group to group depending on the savings capacity and decision of the members. The savings amount varies from Rs. 5 to Rs. 250 per week¹. The minimum savings amount is between Rs. 5 to 50 with an average of Rs. 19 per

¹ Only one SAG saves Rs. 250 per week/per member. Only one SAG saves Rs. 100 per week/ per member

week. The maximum amount of savings is between Rs. 10 to Rs. 250 with an average of Rs. 35 per week. Table 3.1 shows the maximum and minimum amount of savings of SAGs. Of the total 60 SAGs, nearly half (48%) of the groups have a minimum savings of less

S. No	Amount in Rs.	Minimum		Maximum	
		F	%	F	%
1	01-10	29	48.34	19	31.67
2	11-20	22	36.67	11	18.33
3	21-30	2	3.33	1	1.67
4	31-40	2	3.33	3	5.00
5	41-50	5	8.33	24	40.00
6	> 50	-	-	2	3.33
	Total	60	100.00	60	100.00

than Rs. 10 per week per member; another 37% have a minimum savings of Rs. 11 to Rs. 20 per week per member and the remaining 15% have a minimum savings of Rs. 21 to Rs. 50. Data on maximum amount of savings at present shows that of the total 60 SAGs, 40% of groups have maximum savings between Rs. 41 to Rs. 50 per week followed by less than Rs. 10 per week and between Rs. 11 to Rs. 20 per week.

The average minimum and maximum amounts of savings of SAGs per week per member is more in Chamarajnagar (minimum Rs. 26 and Maximum Rs. 59) district compared to Chitradurga (minimum Rs. 14 and Maximum Rs. 31) and Anantapur (minimum Rs. 16 and Maximum Rs. 16). The data also shows that except in 6 SAGs, in all others the minimum amount of savings per member per week is less than Rs. 10.

The average minimum amount of savings per week at present is higher at Rs. 18.50 compared to the rate at the beginning of the group (Rs. 10.33). If social categories are compared, there is a difference in the average minimum savings amount of a member (of various social categories) per week at present and at the beginning of the group. Of the six SAG social categories, the difference between the average minimum saving amounts at the beginning of the group and at present is the highest among SC (Rs. 13.25) and lowest among Minority category SAGs (Rs. 3.34). In OC the difference is Rs. 11.39, in Mixed Rs. 5.89, in ST Rs. 5 and in BC Rs. 4.61. It must be noted that the SC category groups started with a lower minimum savings amount when compared with other SAG categories

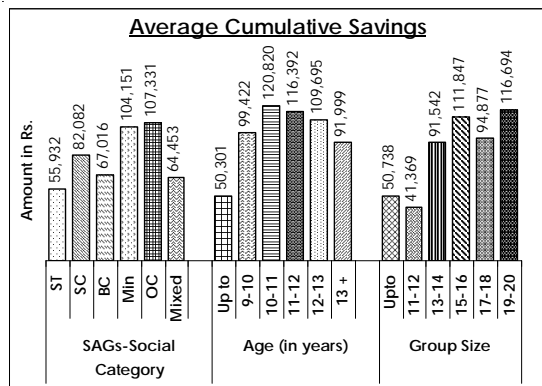
The data shows that 72% of the groups have changed their minimum savings amount between 1 to 5 times; the remaining 28% of groups have not changed their minimum

savings amount even once since inception. Of all the social categories, OC and SC groups have changed their minimum savings amount many times compared to other social categories. Only one out of three ST groups has changed their minimum savings amount.

During focus group discussions, groups have shared the reasons behind the increase of weekly savings amount. The reasons mentioned are: i) to increase individual savings; ii) to increase group's corpus; iii) to obtain bank linkage; iv) to get a larger loan since the amount of savings is one of the criteria for bank's decision on the size of loan; vi) as there is an increase in household income they have increased their weekly savings amount.

3.1.2 Cumulative savings of SAGs

The total members' savings of 60 sample SAGs is Rs. 5,265,127. The savings of groups varies from Rs. 9,530 to Rs. 2,63,839 with an average of Rs. 87,752. Of the 60 sample SAGs, majority SAGs (68.3%) have less than Rs. 1 lakh of savings, the remaining 31.7% have more. Of the 68.3% of SAGs that have less than Rs. 1 lakh savings, 35% of SAGs have savings of less than Rs. 50,000. Table 3.2 shows that the average cumulative savings : savings of OC category SAGs is highest (Rs. 107,331); followed by Minorities (Rs. 104,151), SC (Rs. 82,082), BC (Rs. 67,016) and mixed (Rs. 64,453) category SAGs. The lowest is ST category SAGS (Rs. 55,932). The average cumulative savings of OC-SAGs is Rs. 107,331, which is almost double than that of ST-SAGs. The data shows that the average cumulative savings has increased steadily up to 11 years; after that it has gradually decreased.



Group size is one of the factors that influence the cumulative savings of a group. Generally, if the group size increases, the cumulative savings of the group also increases; this denotes as positive relationship. If the cumulative savings decrease then it is a negative relationship. Data in the graph shows that except where the SAG size is 11-12 and 17-18, when group size increases, the average cumulative savings of the group also increases. The negative relationship, where the group size is 11-12 and 17-18, is because of the practice of withdrawal of members' savings from the group in regular

intervals to repay large loans, to avoid interest burden and to procure assets like gold and household articles.

3.1.3 Distribution of group funds/savings

Of the 60 sample SAGs, 57% of groups have distributed part of the group common fund to their members one to three times. The cumulative amount paid to members varies from Rs. 7,500 to Rs. 5,13,315 with an average of Rs. 1,02,702.

During group discussions, groups have given the following reasons for the distribution of a part of the groups' common fund or the cumulative savings of the members : i) because of the large amount of group funds there is pressure from members to distribute; ii) at the time of dropping irregular members from the group; iii) to repay large group loans to avoid interest burden; iv) availability of multiple sources of external loans on low interest rate to SAGs for on lending to members; v) to settle the accounts of drop-outs who are the members in Indira Kranthi Patham (IKP) SHGs; vi) to procure a useful asset in remembrance of SAG membership and vii) as it was a grant from Myrada/ government, the grants were distributed to their group members.

3.1.7 Usage of savings

The groups use members' savings in different ways. To lend to members to adjust the loan outstanding if a member has large savings and finds it difficult to repay a large loan amount; in this case a portion of individual savings is adjusted to the loan outstanding. It has two implications. Firstly, it reduces interest burden on the member. Secondly, by reducing cumulative member's savings, it minimizes the size of loan given to a member and provides credit access to other members. It also encourages larger amounts of individual savings per week in order to increase individual cumulative savings in the group; this is one of the criteria for borrowing larger loans from banks. Though Myrada initially promoted interest on member's savings, currently SAGs are not paying interest on their savings. The practice of reducing member savings against loans in some cases is an alternate mechanism. However, during the past three/four years a majority of the groups paid **dividend** at the rate of 6 to 10 percent on member's cumulative savings.

3.2 MEETINGS

Periodicity: Of the 60 sample SAGs, at present, all groups have the practice of weekly meetings though all do not save weekly. At the beginning of the group, 6.67% and 3.33% had monthly and fortnightly meetings respectively. Even though Myrada has encouraged weekly meetings, because of IKP influence in Anantapur district few groups

changed from weekly to monthly/fortnightly meetings. During focus group discussions, many groups mentioned that weekly meetings are more appropriate to pay savings and to borrow & repay loans. The groups also mentioned the disadvantages of monthly meetings : i) difficult to pay large amount of savings and loan installments at one time at the end of the month, and ii) they spend their earnings for unnecessary and unwanted things when they have to hold them for a month. Therefore, groups prefer to have weekly meetings so they can optimally use/ save household income for meaningful purposes and avoid unnecessary expenditure.

Regularity and Attendance: To assess regularity of meetings and members' attendance, the study

team collected data on the number of members who attended each meeting in the past three months i.e. from January 2009 to March 2009. The data shows that except two, all groups have conducted all meetings scheduled during the period. However, some have conducted meetings not on the scheduled day/date due to unforeseen reasons like death in the village, marriage of group members' relatives and absence of book writer due to urgent work.

S. No	Members (in %)	Attendance		Savings	
		F	%	F	%
1	< 50	4	6.7	1	1.7
2	51 - 60	4	6.7	2	3.3
3	61 - 70	11	18.3	9	15.0
4	71 - 80	11	18.3	11	18.3
5	81 - 90	17	28.3	13	21.7
6	91-100	13	21.7	22	36.7
	Total	60	100.0	60	100.0

As regards attendance, of the total 60 sample SAGs, 50% of SAGs have 80% of average² attendance in their meetings; another 37% averaged between 60% and 80%; only 6.67% of SAGs had less than 50% of average attendance in their meetings during the

² Average attendance: Percentage of members attended in 1st meeting + 2nd meeting + 3rd meeting + 4th meeting / No. of meetings held by a group during the period. Average attendance: (90 + 80+100)/ 3 = 90

In the table 3.2, figures under the column 'Members' the percentage shows the average percentage of members who attended a meeting during the last three months. Figures in the column 'attendance' shows the number of SAGs and their percentage.

period. Among all the three districts studied, the majority of SAGs in Chamarajnagar (65%) have more than 80% of average attendance in the meetings while Anantapur has 45% and Chitradurga 40%. During interaction with the group members, the study team has raised the issue of low percentage of average attendance in meetings and enquired into the reasons for it.

During FGDs, the groups reported the reasons for absence in meetings as: i) visitors in the house; ii) ill-health of the member or household members; iii) un-expected or emergency work, iv) residence is far away, hence cannot attend meetings regularly; v) temporary migration to nearby town/cities for employment; vi) defaulters; vii) work pressure during peak agriculture seasons, especially during sowing and harvesting seasons; viii) lactating mothers who are exempted; ix) fairs and festivals in the village and x) unsuitable timings of group meetings - 9 am to 12 noon, as many are busy in attending work at that time. During focus group discussions, 11 out of 20 sample SAGs of Chitradurga district reported that seasonal migration is one of the main reasons for low average attendance of members in meetings.

3.2.1 Agenda for meeting

The study team collected information on the agenda for meetings held during January 2009 to March 2009 from the group's meeting minutes book. The agenda items of group meetings fall broadly into two categories: i) financial and ii) non-financial.

Financial agenda: Financial agenda includes collection of savings, loans, fines, mobilization of funds from external agencies, disbursement of loans to members and repayment of loans borrowed from external agencies. The study team found financial agenda in all SAGs' meetings. During the last 3 months, all the groups have collected savings from their members. During the last 3 months, the average savings of a group is Rs. 3,720. Of the 60 sample SAGs, 60% of groups collected an average fine of Rs. 151. Of the three districts, Chamarajnagar has the highest percentage of SAGs (95%) collecting fines at an average fine of Rs. 221 per group during past 3 months. This shows that SAGS in Chamarajnagar are strictly implementing the norms relating to fines compared to Chitradurga (75%) and Anantapur (10%). All the 60 SAGs have lent an average cumulative loan of Rs. 47,453 on an average to five members in a group during the past 3 months. On an average, each group has collected loan installment of Rs. 38,800 and loan interest of Rs. 8,971 during the last 3 months. Once more in Chamarajnagar, the amount of loan and interest collected is more when compared to the other two districts.

**Table-3.3: Details of Fines, Loans and Savings Collected
(January to March 2009)**

Particulars (Amount in Rs.)	Name of the district							
	ATP		CRN		CTD		Total	
	% of SAGs	Average mem/amt	% of SAGs	Average mem/amt	% of SAGs	Average mem/amt.	% of SAGs	Average mem/amt
Fines paid	10	6	95	23	75	9	60	16
Loans taken	50	5	85	6	45	5	60	5
Savings collected	100	1,460	100	6,378	100	3,322	100	3,720
Fines collected in Rs.	10	2	95	221	75	83	60	151
Loan disbursed in Rs.	50	6,026	85	76,768	45	38,111	60	47,453
Total loan collected	100	20,940	100	63,583	100	31,877	100	38,800
Total interest collected	100	4,993	100	14,734	100	7,187	100	8,971

Non-financial: Meetings organized for a specific purpose do not have any financial agenda. The non-financial agenda includes items related to SAG concepts and different kinds of services to members for their all round development. During the meetings in the last 3 months (January 2009 to March 2009), half of the groups had an agenda item, at least once, on the information to be provided from SAGs to CMRCs (which are federations of 8 to 120 SAGs and watershed groups) and from CMRC to SAGs. It is an indicator to assess the relationships existing between groups and the CMRC. One-third of SAGs have discussed about grading of groups. More than one-tenth of groups have discussed about leadership in groups (11.67%), default (10%) and book keeping (10%) and general body meeting of federation (3.33%). It clearly indicates that the agenda of groups is not limited to a financial agenda; they are very concerned about group quality and sustainability.

Social agenda: The analysis of meeting agenda items show that 53.33% of groups have included legal awareness issues, 30% skill based trainings, 8.33% income generation/livelihood activities, 30% development programmes and 18.33% health

Table-3.4: Non-financial Agenda of SAG Meetings (Jan-March 2009)						
S. No	Agenda	District			Total (N=60)	%
		ATP	CRN	CTD		
1	CMRC information	2	15	13	30	50.00
2	Grading of groups	3	15	2	20	33.33
3	Auditing of SAG accounts	-	7	3	10	16.67
4	Leadership rotation	-	7	-	7	11.67
5	Defaulting	-	3	3	6	10.00
6	Books of accounts	-	6	-	6	10.00
7	General Body Meeting	-	1	1	2	3.33
8	Legal awareness	4	18	10	32	53.33
9	Development schemes	2	10	6	18	30.00
10	Health programmes	-	8	3	11	18.33
11	Skilled based trainings	-	9	9	18	30.00
12	Livelihood activities	2	1	2	5	8.33

Meeting venue and time: As mentioned earlier weekly meetings are common. Each group meets on a specific day, time and place. Some groups meet at 8 p.m. after dinner; some at noon on returning from work; it depends on the convenience of the majority. Regarding place, most of the groups meet at a community hall/ ICDS centre/ school corridor/ Gram Panchayat office corridor, temples and other public places. Few groups meet at their member/ representatives house. The meeting duration is for one to two hours depending on the number of transactions and agenda points.

The groups follow a clear procedure that provides equal opportunity to all group members to participate in all discussions and activities at all levels; this in turn enhances the financial management skills, decision making skills, leadership qualities and communication skills. One of the group members is selected as Chairperson at each of the meetings. The selection of Chairperson is on rotation, based on members' seniority in the group and the serial number assigned to each member.

Box-3.1: Some good practices in the group:

Following are some of the good practices found among SAGs: i) *Serial numbers are given to all the members in the group; ii) They are seated according to the serial numbers; iii) The meeting venue is in public places; iv) Every week one member presides over the meeting on rotation; v) The member who presides over the meeting visits the bank the day after the meeting and is responsible for depositing the amount collected in the group on the day after meeting; vi) All financial transactions must be conducted during the meeting; vii) SAGs transact with its members through cheque; viii) Members do not discuss group matters outside the group meeting; ix) There are two types of savings – mandatory and voluntary savings, and x) They have selected a uniform for group members of each SAG; xi) Audit of groups is conducted annually; and xii) Leaders are called ‘representatives’ rather than ‘president’ and ‘secretary’.*

b. Prayer song in the name of group and its members:

The Chamundeswari MS in Jaijur village of Chellakeri in Chitradurga district was formed on 6.5.1998 with 20 members. The group composed a song with all the names of the members and they sing it as a prayer before starting the weekly meeting. The song primarily focuses on inviting all the members for a group meeting in everybody’s name. Several SAGs have composed their own songs. Many end the meeting with the National Anthem.

Fines: All groups have specific norms relating to fines. However, the amount of fine and the terms and conditions vary from group to group. Many groups have strictly implemented fines. During focus group discussions, many have mentioned that the fines ensure more than 90 percent member attendance in group meetings, encourages regular savings, better participation of all and more transparency in group activities.

Following are the purposes and amounts of fines :

- ◆ *Not attending meeting but with prior information* : No fine
- ◆ *Not attending meeting without prior information* : Rs. 5
- ◆ *Not attending meeting without genuine reason* : Rs. 20
- ◆ *Not attending a training session* : Rs. 25
- ◆ *Leaves meeting before formal closing* : Rs. 2
- ◆ *Not attending the meeting neatly dressed* : Rs. 5
- ◆ *Attending special meetings without uniform* : Rs. 5
- ◆ *Using filthy language in the meetings* : Rs. 5
- ◆ *Not depositing group amount in the bank in time* :Rs. 50
- ◆ *Defaulting of loan for more than 2 months* :Rs. 50/ + penal interest

3.2.2 Audit of groups

Audit of group accounts is one of the good practices among the SAGs promoted by Myrada. Majority of the groups have reported that ensuring group auditing is one the main roles and responsibilities of 'SAG representatives'. Each group pays Rs. 150 as audit fee to a Community Managed Resource Centre (CMRC) which is a federation of 100-120 SAGs and Watershed groups that charge for all services. The CMRCs emerged as part of the withdrawal strategy of Myrada. The CMRC audits SAGs twice in a year – interim audit in the months of October and the annual audit in the month of April. The auditing agency encloses all the supporting documents to the audit statements. The study team found some lapses in some of the audit statements and supporting enclosures. Some of the data in the financial statements did not match with the data in the supporting documents. For the past 2/3 years many groups are paying their earnings/ profits to members proportionate to their cumulative savings based on the audit statement of the group.

3.2.3 Vision building

One of the unique features of SAGs in Kollegala project of Chamarajnagar district in Karnataka is that every SAG has done vision building exercise for 5 years. Some examples of aspirations that were recorded during the vision building exercises are: i) Members should aspire to save Rs. 200,000; ii) to have a LPG connection; iii) to have a toilet facility; iv) to own a house; v) to educate their boy and girl child up to 10th class; vi) to have at least one income generating activity per household; vii) to possess at least an acre of land; viii) to arrange marriages of children only after 18 years of age; and

ix) to obtain a loan of Rs. 6 lakh (cumulative) from bank under the bank linkage program. These aspirations were largely focused on the family.

3.3 BOOK KEEPING

Book keeping is one of the salient functions of self-help groups. It is one of the key indicators to measure the performance of a group. The quality of books of a group can be measured by the status of books they are maintaining; for example: Are they updated? Is information complete? and are there over writings?

3.3.1 Maintenance of group records

The data shows that of the 60 sample SAGs, more than half of the groups (52%) have engaged paid book-writers to maintain their books of accounts; another half of the groups managed with literate members in their groups. However, there are significant differences between the districts. The data shows that the majority of SAGs in Anantapur engage paid book writers, whereas the majority of the groups in Chamarajnagar and Chitradurga maintained their books of accounts with literate members of their groups. This is because of the presence of literate and interested members in the group in these two districts, promoter's interventions & capacity building inputs on SAG's book keeping system.

The data shows that of the 60 sample SAGs, 85% of groups keep their records either at one of their group members' house (63.33%) or at representatives' house (21.67%) and the remaining keep their books in the community hall (8.33%) or with the book-writer (6.67%). The data shows that in Chamrajnagar, 18 out of 20 SAGs keep their records in a members' house. The main reason for keeping books in the group members/representatives houses is that it is easier for those members who maintain the group records to keep them because some times the book writers complete the routine work at home.

Honorarium to book writer: One of the factors which influence the quality of group records is the honorarium paid to book-writers. As mentioned earlier, 52% of groups have engaged paid book writers to maintain their group accounts. The data shows that 78% of the groups pay honorarium to their book writers whether they are members of their own group or outsiders; only 21.67% of the sample SAGs do not pay any honorarium to their book writers who are their own members. However, few groups among those which are not paying honorarium, as a compensatory mechanism, extend large loans, subsidized or interest free loans to book writers.

The amount of honorarium varies from a minimum of Rs. 50 to a maximum of Rs. 280 with an average of Rs. 110. The average honorarium per month is high in Chamarajnagar (Rs. 142) compared to Chitradurga (Rs. 125) and Anantapur (Rs. 78). During focus groups discussions, few groups reported that they have increased their honorarium one/two times over a period. The amount of honorarium to book writers per month depends on the number of members & transactions and the amount of time involved in the maintenance of group records.

3.3.2 Quality of Books

No. of books and their details: Myrada has evolved a set of books to maintain financial as well as non-financial details of groups. The SAG books are : i) minutes book, ii) loan ledger, iii) savings ledger, iii) receipts & payments, iv) Individual Savings Pass Book, v) general ledger, vi) cash book and vii) savings and loan accounts book. All groups followed the same set of books prescribed by Myrada. Of the 60 SAGs, all groups possessed ‘minutes book’, ‘member pass book’, ‘savings ledger’, ‘loan ledger’ and ‘general ledger. However, 3.33% and 21.67% of groups did not possess ‘cash book’ and ‘receipts & payments book’ respectively.

Up- to date information: The data shows that more than 90% of groups have up to date records. Interactions with groups, reveal that it is because of regular trainings and monitoring on book keeping & accountancy at various levels from Myrada/CMRC/ Federations, the paid book writers system and regular meetings.

Over writings: While collecting quantitative data from group records, the study team observed over writings in all types of books. The data also shows that 35 to 45 percent of groups’ records have over writings. From informal chats with book-writers two reasons emerged : i) corrections due to delayed payment of few members, and ii) inadequate experience of book keeping norms of both paid and unpaid book writers.

Information status: Data shows that 85 to 90 percent of groups maintained complete information in their records. 32% and 26.67% of groups did not possess complete information in their receipts & payments and minutes books respectively. Types of gaps found in minutes book, loan ledger and receipts & payments books are : i) no signatures showing the members attendance; ii) no reports of discussions on all the agenda items; iii) mismatch of information in minutes book with information in other records; iv) no information in many columns especially in receipts & payments books, iv) number of loan installments and specific purpose of loans is not mentioned in loan books. The reasons were mentioned earlier, namely inadequate experience of book-keeping on the part of book writers.

Table-3.5: Quality of Books (SAGs in %)					
S. No	Books	Main-training	Updation	No over writings	Complete information
1	Minutes Book	100.0	93.3	58.3	73.3
2	Members Pass Books	100.0	91.7	76.7	90.0
3	Savings Ledger	100.0	93.3	60.0	91.7
4	Loan Ledger	100.0	93.3	48.3	86.7
5	General Ledger	100.0	90.0	51.7	86.7
6	Cash Book	96.7	88.3	53.3	85.0
7	R&P Book-MFS	78.3	95.0	41.7	68.3

Maintenance of old records: One of the important observations that the study team has made during data collection was that almost all groups have maintained all the records since their inception. Some groups assigned serial numbers to old volumes for easy verification. Some old groups have few records/books which have more than one volume. For example – the minutes book, ‘general ledger’, ‘loan ledger’ and ‘cash book’ have 2 to 3 old volumes. This shows the good book keeping of the SAGs. For instance, to collect loan details of sample individual members of Ram Rahim SAG of Upparigenahalli in Holalkere block in Chitradurga district, the study team has verified 3 volumes of loan ledgers and 3 minutes books. Almost all groups have preserved their records like cheque book, group seal & stamp pad and calculator in an iron trunk box/cloth bag supplied by Myrada for records.

The study team explored the factors which they identified as contributing to good book keeping as: i) periodical trainings on book keeping & financial management; ii) identification of 2/3 members in the group/village as book-keepers for training; iii) regular monitoring from project staff; iv) reasonable amount of honorarium to book writers; v) no change of book-keeper. This is an indication of how much care and the amount of inputs Myrada has provided to groups on book keeping. However, even though the quality of SAG books is good, few groups have reported some issues given below relating to book keeping :

- a) **Book writer does not attend the meetings:** Few groups have reported that due to the absence of the book writer, group meetings are not held; further even when

held, there are no financial transactions such as collection of savings, disbursement of loan and collection of loan installments etc in the meeting when the book writer is not present.

- b) *Hiding of group records:*** As per the information provided by the group members and Myrada staff, one of the representatives who is also a book writer misused a grant from Myrada. To hide the mischief, she “misplaced” the group records. But one of the representatives of Indira SHG in K. Pulakunta village of Nallacheruvu mandal in Anantapur district alleged that Myrada staff has misused a portion of grant sanctioned to the group and on the excuse of auditing collected all the group records; he has not returned the books even after repeated requests.
- c) *Book writer is expensive:*** The Srilaxmi SHG in Bandalli village of Chamarajnagar district, appointed a book writer from their neighboring village due to non-availability of book writer in their village. The group pays Rs. 280 per month as honorarium to him. They reported that the amount of honorarium being paid to the book-writer is too high and a burden for them.

3.4 FOSTERING LEADERSHIP

Criteria for the selection of representatives: Each group selects two from its members, who are called ‘representatives’ to lead the group. Groups have formulated roles responsibilities and guidelines to select representatives and to fix a term for them. No

Table-3.6: No. of Times Representatives Changed						
S. No	No. of times	District			Total (N=60)	%
		ATP	CRN	CTD		
1	No	1	-	2	3	5.00
2	1-2	11	-	2	13	21.67
3	3-4	3	-	1	4	6.67
4	5-6	3	7	3	13	21.66
5	7-8	1	8	5	14	23.33
6	9-10	1	4	1	6	10.00
7	> 10		1	6	7	11.67
	Total	20	20	20	60	100.00

group selects their representatives based on a single criterion. They consider multiple criteria such as consent of majority members, educational qualifications, communication skills and knowledge of the systems and procedures prescribed. The data shows that the performance of Chairpersons of group meetings played a major role (71.5%) while selecting 'representatives', followed by communication skills (53.3%), ability to sign (53.3%), and consent of majority group members (33.3%). Besides, during focus group discussion, groups have reported some more criteria related to members personal attitude and character like values, transparency and those who can devote time for group work. As a policy, the groups select representatives on rotation for a period of one year based on the serial numbers of the members in the group records. For example, the first two members will be selected as representatives for year one. Third and fourth members will be selected as representatives for year two and so on in the subsequent years. Some members are not selected for representative positions since they do not fulfill the above mentioned criteria like - they cannot sign, are aged, unable to visit the bank and attend federation meetings, migrate for work frequently and are fully occupied with their own work.

3.4.1 Change of Representatives

Number of times: Of the 60 SAGs, except three, all groups have changed their representatives from 1 to 15 times with an average of 6. Majority SAGs (66.67%) have changed their representatives more than 5 times. If the mean age of the group is taken as 12 years and average number of times groups changed their representatives as 6, it shows that at least once in two years groups have changed their representatives. High incidence of leadership rotation is reported in Chamarajnagar and Chitradurga (7) compared to Anantapur (3). All the groups of Chamarajnagar have changed their representatives more than 4 times. Change of representatives depends on various factors: i) age of the group; ii) leadership norms; iii) members awareness levels; iv) possession of minimum selection criteria.

The data shows that of the 60 SAGs, more than 50% of groups completed one round of rotation of representatives with all the eligible members in their groups. Majority groups in Chamarajnagar and Chitradurga completed one round of rotation, where as majority groups in Anantapur have not completed even one round though the groups are small in size and more than 8 years old.

Term of representatives: The data shows that of the total of 871 members of 60 SAGs, 321 (36.8%) members have not been selected as representatives even once as they did not qualify as per the selection criteria. On an average 5 members have not been

selected as representatives in a group. It is significant that the majority of members in Anantapur have not been selected as representatives compared to Chitradurga (32%) and Chamarajnar (27%). Further, more than one-fifth of sample groups reported that more than eight members have not been selected as representatives even once in their groups.

Of the 60 sample SAGs, in more than 90% of SAGs, at least one representative has continued more than a year in her position. In the majority of SAGs (51.67), 1-2 members continued more than one year in their positions followed by 3-4 members (30%). However, 10% of SAGs reported that more than six members in their groups continued more than a year in their positions. Nevertheless, 8.33% of groups changed their representatives immediately after completion of their term. Groups have reported various reasons for the change of representatives immediately after completion of their term and/ for continuation more than a year in their positions.

As discussed earlier, of the total 871 members of 60 SAGs, 321 (36.8%) members have not been selected as representatives because of group norms, members' reservations, conditions of external agencies. However, for the benefit of members not selected to representative positions, groups involved them in different functions and in all kinds of group activities and tried to build their managerial abilities to bring them on par with the others. These practices are: i) the formal representative took them along to visit the bank; ii) they are selected to attend the monthly federation meeting as SAG representative, even though they are not formally selected representatives of the group; iii) they accompany one of the representatives to attend meetings outside the village; iv) Groups made it mandatory that irrespective of position in the group, all members should preside over group meeting on a rotation basis.

Box-3.2: No leadership rotation since inception

Sri Siddeswari SHG was formed on 22nd December, 1998 with 15 members. Of the total 15 group members, 11 are neo-literate, 2 completed high school education and another 2 completed their primary education. The group selected Ms. Rudamma and Ms. Jayamma as group representatives; both graduated up to high school. Even though the promoters advocated leadership rotation, the group has not changed their representatives even once, though there are

many eligible members in the group. During focus group discussion, the members have reported that the reason for not following the practice of leadership rotation was that the present representatives are good in character, share information with the members and take decisions in consultation with all the members in a democratic way. Besides, the present representatives are generous and helpful to all the members.

3.4.2 Groups' opinions on leadership rotation

During focus group discussions, members have shared the advantages of representative rotation annually :

- i) it provides a learning opportunity for all the members, ii) sharing of group responsibilities, iii) decentralization of power by sharing responsibility, iii) promotes unity among members. The study team also explored the reasons for not following representative rotation annually; the following reasons were given:
 - ◆ *Objection from bankers:* Despite the fact that the group is interested to change representatives, bank officials objected to change the representatives during the loan repayment period. Bank loan repayment period varies from two to three years depending on the loan size. Group selects its members as representatives for one year. If a group wants to change the representatives after completion of her term and if a group has loan outstanding, the bank will not accept change of representatives as the bank loan is signed by the present group representatives. The group can change their representative only after total repayment of loan borrowed from bank. Hence, many members continue more than a year in their positions.
 - ◆ *Illiteracy & poor communication skills:* The members who cannot sign, who have poor negotiation skills and ability to speak with others are not selected as group representatives.
 - ◆ *Lack of knowledge on leadership rotation:* Many groups have reported that at the beginning, they did not know that leadership rotation and change of representatives every year is a norm for good management.

- ◆ *Re-elected/selected:* Many groups reported that the present representative or the ex-representative, whose performance was good in the past was selected more than once/twice as representatives, even though there are other members in the group who are not selected as representatives even once.
- ◆ *Old age:* Owing to old age, some women members are unable to attend all meetings & visit the bank outside the village on SHG work, hence they were not selected as representatives even though they may come first in the list.
- ◆ *Members' are not interested:* During the initial years, many members did not come forward to take up the responsibilities of representatives because of individual reservations such as shyness, poor communication abilities, husband's unwillingness, household work pressure, unwilling to attend meetings outside the village, physically disabled.
- ◆ *Migration:* Few groups exempted some members from holding representative positions, since they migrate frequently for work outside the village.
- ◆ *Changes in group membership:* Due to dropouts and the split of old groups, many new members were admitted into groups. The opportunity of taking up the roles and responsibilities of representatives has not yet been provided to the new members on rotation.

3.4.3 Participation in elections

The data shows that 24 out of 871 SAG members contested as ward members or Sarpanch for their gram panchayats. Of the 34 contestants, 17 won in the elections. Of the total 24 contestants, there are OCs (8), BCs (6) and SCs(5) followed by Minorities (3) and STs (2). The percentage of women elected of those who contested is low among OCs (4/8) compared to ST (2/2), SC (3/5), BC (6/6), and Minorities (2/3). It is because of reservation policy for women in ST, SC, BC and Minority categories. No SC and ST SAG member in Anantapur contested for any political office.

3.5 CONCLUSIONS

In conclusion, though the members were poor and started with small amount of savings per week, over a period they have mobilized a large amount of savings with many practices such as diverse saving products, increase in weekly thrift depending on household income & its sources and adding of dividend to individual cumulative savings. Groups utilized members' savings optimally to earn income for the group and to provide quality credit services to members.

Meeting procedures, inbuilt organizational and financial systems and ensuring that norms are in place and observed, has ensured members attendance & regular savings, financial transactions only within group meeting, members' participation in a democratic form of decision-making and transparency & accountability in all transactions. The non-financial and social agenda of meetings broadened members' thinking horizons beyond savings and credit activities.

The strategies like identification & building of potential book-writers within groups and non-members within the village, book-writer's honorarium based on number of financial transactions and several trainings at various levels has contributed towards the quality of book keeping. Though there are some gaps in book keeping they can be closed through periodical monitoring of groups and orientation of both book-writers and Community Resource Persons who are attached to the CMRCs.

The practice of leadership rotation, members chairing weekly meetings on rotation, participation in federation meetings, visits to bank and other government offices on group work outside the village have provided opportunities for the improvement of leadership qualities of all group members. The rotation of representatives of SAGs was not reported much in the early years of groups because of various hurdles. However, over the past four to five years, SAGs are very concerned about changing of representatives of SAGs due to the impact of member participation in the group, promotion of federations and capacity building inputs of promoters.

Details of SAGs in MYRADA Projects as on March 31, 2009

Name of the Project	Men	Women	Mixed	No. of Youth Groups	Total Members	Total Common Fund	Total Savings out of the Common Fund	Total No. of Loans	Total Loan Amount	Total interest
Chincholi	0	358	0	0	358	31,286,823.00	8,654,133.00	4,021.00	46,200,857.00	9,039,589.00
Chithradurga	19	832	40	0	891	91,886,873.74	48,205,685.00	15,965.00	100,758,489.00	12,892,020.50
Dharmapuri	29	2285	0	8	2322	438,789,091.00	273,442,110.00	148,218.00	1,130,387,448.00	97,254,296.00
Germalam	106	132	0	0	238	78,876,555.00	16,146,015.00	28,891.00	168,309,324.00	15,210,913.00
Gulbarga	4	246	4	0	254	63,111,387.00	17,120,837.00	49,865.00	69,626,954.00	12,342,901.00
H.D. Kote	88	1735	15	1	1839	262,445,485.00	148,256,108.00	296,636.00	977,412,108.00	112,066,744.00
Kadiri	92	574	0	0	666	59,446,712.00	24,670,585.00	272,688.00	258,231,503.00	19,224,608.00
Kattery	16	92	0	0	108	20,541,706.70	11,778,275.00	12,512.00	79,009,725.00	15,259,476.00
Kollegal	11	508	0	0	519	98,086,665.66	46,354,460.00	47,100.00	313,770,264.00	50,321,232.59
Kamasamudram	33	480	0	1	514	94,125,810.00	26,671,827.00	41,610.00	230,994,573.00	22,266,569.00
Kudligi	65	328	3	0	396	36,538,082.00	15,568,218.00	22,291.00	92,143,104.00	9,664,284.00
Talavadi	118	390	2	0	510	106,677,795.00	43,861,091.00	36,793.00	235,911,982.00	21,900,208.00
Western Ghats	30	604	0	4	638	120,997,999.00	36,094,684.00	36,056.00	198,046,013.00	23,719,456.00
Gulbarga HIV	0	90	0	0	90	3,679,561.00	1,420,688.00	1,020.00	3,122,800.00	417,104.00
Kolar HIV	2	153	0	0	155	7,940,435.00	3,485,209.00	7,912.00	14,475,026.00	609,575.00
Bellary HIV	0	168	0	0	168	6,596,307.00	4,316,137.00	11,942.00	10,012,738.00	498,454.00
Chithradurga HIV	3	78	0	0	81	4,520,311.00	1,256,689.00	3,131.00	6,396,582.00	512,588.00
Total	616	9053	64	14	9747	1,525,547,599.10	727,302,751.00	1,036,651.00	3,934,809,490.00	423,200,018.09

Chapter 4

Financial Performance

The present chapter analyses the assets and liabilities of the sample groups, mobilization of funds from various external sources and their status, the members' access to loans and utilization of loans for various purposes. The repayment rate from members to group and from groups to external agencies and reasons for default are assessed. The strategies followed at various levels by groups and banks are also discussed in this chapter.

4.1 FINANCIAL STATUS

The SAGs mobilize funds in two ways - from internal and external sources. Internal sources include: i) savings from members; ii) fines & penalties; iii) visiting fee; iv) interest from banks and (iv) interest on loans to members. External sources include: i) grants and loans from banks, Sanghamithra,

Particulars	Amount (in Rs.)		
	Total	Mean	%
Loan O/S with members	163,40,184	2,72,336	86.44
Savings in Federations	48,431	2,691	0.26
Share capital in Fed.	7,201	900	0.04
Fixed/ Recurrent Deposits	4,26,175	26,636	2.25
Insurance	1,25,520	31,380	0.66
Grants to members	80,000	80,000	0.42
Advances	37,000	18,500	0.20
Cash in hand	86,891	2,556	0.46
Bank Balance	14,32,151	23,869	7.58
Suspense amount	3,19,586	63,917	1.69
Total	18903139	3,15,052	100.00

Myrada, and CBO-MFOs such as Village Watershed Associations and ii) donations from NGOs and others.

Assets: The total amount of loans outstanding with the members of 60 SAGs is Rs. 16,340,184 with an average of Rs.272,336. Of the 60 sample SAGs, 30% of groups have savings in federations amounting to Rs. 48,431 with an average of Rs. 2,691. Eight out of 60 SAGs have a share capital in federations of Rs. 7,201 with an average of Rs. 900. Of the total 60 SAGs, 26.67% of SAGs have fixed deposits/ recurrent deposits in banks of Rs. 426,175 with an average of Rs. 26,636. During FGDs, many groups have reported that banks require that they place a FD as a prerequisite to sanction large volume of loans. Another four groups have insurance of Rs. 125,520 with an average of Rs. 31,380. Of the 60 sample SAGs, 56.7% of SAGs have cash in hand of Rs. 86,861 with an average of Rs. 2,556. All the 60 sample SAGs have a bank balance of Rs. 1,432,151 in SB accounts with an average of Rs. 23,869.

Of the 60 SAGs studied, there are idle funds, which include both cash in hand and bank balance in the S/B Account of SAGs, of Rs. 1,945,217 with an average of Rs. 32,420. This is partly to repay large loan installments on external loans. Two groups have made advances of Rs. 37,000 to lease a building. 5 out of 60 SAGs, have a suspense account of Rs. 319,586 with an average of Rs. 63,917. Of the total assets of Rs. 18,903,139, 86.44% of assets are in the form of loans outstanding on members followed by bank balance in SB A/c (7.58%), fixed deposits (2.25%). A very small percentage is in other form of assets such as savings & share capital in federations and advances.

Liabilities: The sample 60 SAGs have a total common fund of Rs. 4,061,328 with an average of Rs. 76,629. The data shows that the average common fund of SAGs has gradually increased up to 11 years and then it has decreased in 12 and 13 year old groups and again increased from 14 years onwards. This is because of distribution of group funds to members and or the practice of paying dividend on members' savings with an interval of two/three years and reduction of interest rates on member loans. Of the total 60 SAGs, 60% of SAGs have a revolving fund of Rs. 562,301 with an average of Rs. 15,619. Of the total external loans outstanding of Rs. 7,156,811, 81.56% is to banks followed by Sanghamithra (6.15%), VO (4.91%), Myrada (4.76%) and other CBOs (2.62%). Of the total 60 SAGs, 78.3% of groups have reported a surplus³ of Rs.

³ Two types of financial statements have been collected from SAGs: Balance sheet (Audited statement) and Income & expenditure statement. If the income of a group is more than expenditure, it is shown as surplus; and if the expenditure is more than the income then it is shown as deficit in the audited statements. In this context the terms 'surplus' and 'deficit' are more appropriate than 'profit' or 'loss'.

1,449,189 with an average of Rs. 30,834; 13.3% of SAGs have reported a total deficit of Rs. 335,218 with an average of Rs. 41,902 and the remaining 8.33% of SAGs have reported no surplus/ deficit. The cumulative members' savings of 60 SAGs is Rs. 5,265,127 with an average of Rs. 87,752. 9 out of 60 SAGs, have reported suspense amounts of Rs.733,380 with

Table-4.2: Details of Liabilities as on March 2009

Particulars	Amount (in Rs.)		
	Total	Mean	%
Common fund	40,61,328	67,689	21.48
Revolving fund	5,62,301	15,619	2.97
Other grants	4,744	2,372	0.03
Loan O/s to bank	54,52,741	1,18,538	28.85
IHP loan O/s to bank	3,82,358	47,795	2.02
Loan O/s to S. Mithra	4,39,968	54,996	2.33
Loan O/s to Myrada	3,40,380	22,692	1.80
Loan O/s to VO	3,51,466	31,951	1.86
Loans O/s to others	1,89,898	17,263	1.00
Members' savings	52,65,127	87,752	27.85
Profit or Loss	11,13,971	20,254	5.89
Reserve & other funds	5,477	5,477	0.03
Suspense Account	7,33,380	81,487	3.88
Total	1,89,03,139	3,15,052	100.00

an average of Rs. 81,487. Of the total liabilities of Rs. 18,903,139, 37.86% is loans outstanding of external agencies, followed by members' savings (27.85%), group common fund (21.48%) and others (12.81%) which includes revolving fund, other grants, profit and suspense amount.

4.1.2 External sources

The SAGs have mobilized funds in the form of loans and grants from various external agencies such as Myrada, banks, Sanghamithra, DRDA/Women's Development Corporation, and other sources. As far as grants are concerned, the sample SAGs have received cumulatively a total of Rs. 1,202,012. Of the 60 SAGs, 32% of SAGs (on an average 2.4 times) received a cumulative grant of Rs. 220,362 with an average amount of Rs. 11,598 from Myrada. DRDA/Women's Development Corporation has sanctioned a grant, as 'revolving fund' of Rs. 590,750 with an average amount of Rs. 18,461 to 53.3% of sample SAGs.

Only 3.33% of SAGs received cumulative grants of Rs. 135,000 with an average of Rs. 67,500 from village organizations/federation. In addition, another 6.67% of SAGs received cumulative grants of Rs. 255,900 with an average of Rs. 63,975 from some other sources. Of the total, 66.7% of SAG received grants from various sources, 45% of SAGs received grant from only one source followed by two (15%) and three (7%) sources. However, one third of the groups have not received any grants from any source.

Table-4.3: Details of Cumulative Grants and Funds to SAGs						
Source	Grants			Loans		
	% of SAGs	No. of grants	Avg. cum. Amt. in Rs.	% of SAGs	No. of grants	Avg. cum. Amt. in Rs.
Myrada	31.7	2.4	11,598	60.0	5.4	71,470
Bank	--	--	--	96.7	3.8	285,726
Sanghamithra	--	--	--	35.0	1.7	114,333
DRDA/WDC	53.3	1.1	18,461	13.33	1.1	215,000
VO/MS	3.3	1.0	67,500	31.7	2.1	60,368
Other	6.7	1.0	63,975	8.3	1.2	47,050

Loans: All the 60 sample SAGs, since their inception, have borrowed a cumulative loan amount of Rs. 24,648,257 from Myrada, Sanghamithra, Banks, DRDA, Village Organization and Watersheds/VSS with an average of Rs. 410,804. The data shows that of the 60 sample SAGs, 60% of SAGs have borrowed a cumulative loan of Rs. 2,572,907 with an average of Rs. 71,470 from Myrada. 96.67% of SAGs have borrowed a cumulative loan amount of Rs. 16,572,100 with an average of Rs. 285,726 from banks. 35% of SAGs have accessed a cumulative loan of Rs. 2,401,000 with an average of Rs. 114,333 from Sanghamithra. 13% of SAGs availed a cumulative loan of Rs. 17,20,000 with an average of Rs. 2,15,000 from DRDA under SGSY programme. 32% of SAGs borrowed a cumulative loan of Rs. 11,47,000 with an average of Rs. 60,368 from village organizations. Further, 8.33% of SAGs mobilized a cumulative loan of Rs. 235,250 with an average of Rs. 47,050 from watershed bodies and VSS. It is evident that all groups mobilized funds in the form of grants and loans from different sources. However, majority groups accessed bank loans (96.67%) followed by Myrada (60%) Sanghamithra (35%), and few SAGs from community based organizations.

Loan outstanding to external agencies: Table 4.4 shows that of the 60 sample SAGs, 90% of SAG have loans outstanding with 1 to 3 agencies namely banks, Myrada, Sanghamithra and village organization. Of the total SAGs having loans outstanding, more than half of

the groups have loan outstanding to more than one organization. Further, the data also shows that currently, all SAGs in Anantapur have credit linkage with external agencies. However, five out of twenty SAGs in Chamarajnagar have no external credit linkage currently.

S. No	No. of times	District			Total	%
		ATP	CRN	CTD		
1	No loan	-	5	1	6	10.0
2	One	8	8	9	25	41.6
3	Two	7	5	10	22	36.7
4	Three	5	2	-	7	11.7
	Total	20	20	20	60	100.0

Of the total 60 sample SAGs, 33 groups are between 8 and 10 years old, and 27 groups are more than 10 years old. Of the 33 SAGs that are less than 10 years old, only one SAG has no external credit linkage. Whereas, of the 27 SAGs who are more than 10 years old, 5 SAGs have no external linkage. This is because of the large corpus of these groups. Due to delay in getting linkage and funds from Sanghamithra, Nimishambha MS in Managalli village of Chamarajnagar district has borrowed a sum of Rs. 2 lakh at the rate of 2 % per month for two months from another SAG. This shows that some old groups have large surplus funds and different models to utilize them.

Of the 60 sample SAGs, 90% of SAGs have loans outstanding with external agencies, and the remaining 10% have no loan outstanding. The SAGs have a total loan of Rs. 10,783,475 with an average of Rs. 199,694. The current loan amount varies from Rs. 6,000 to 495,000. Of the 54 SAGs, 40.74% of SAGs have a loan of more than Rs. 2 lakh, followed by Rs. 1-2 lakh (35.19%) and the rest up to Rs. 1 lakh. The 60 sample SAGs have a total loan outstanding of Rs. 6,805,483 with an average of Rs. 126,027. The amount of loan outstanding varies from Rs. 3719 to Rs. 310,380. Contrary to the trend in the loan amount, many SAGs (46.30%) have a loan outstanding of less than Rs. 1 lakh, followed by Rs. 1-2 lakh (31.48%) and more than Rs. 2 lakh (24.22%).

Table 4.5 shows that of the total external current loan amount of Rs. 10,783,475 as on May 2009, 82.64% is from banks followed by VOs (7.5%), Myrada (6.60%) and Sanghamithra (3.26%). The team was informed that if there is no bank linkage or if it is problematic, Sanghamithra extends credit to groups. In case of small volume of loans from banks, village organizations extend credit in the form of bridge loans to take up income generation activities. This is particular to Kadiri project.

Table-4.5: Status of External Loans as on May 2009					
Source	% of SAGs	Loan Amount in Rs.		Loan O/S in Rs.	
		Sum	Average	Sum	Average
Bank	78.3	89,11,200	1,89,600	56,76,0377	1,20,767
Myrada	38.3	7,11,525	30,936	4,53,295	19,708
Sanghamithra	8.3	3,52,000	70,400	2,21,167	44,233
VO	25.0	8,08,750	53,917	4,54,984	30,332
Total (overall)	90.0	1,07,83,475	1,99,694	68,05,483	1,26,027

Table 4.5 also shows that the average volume of bank loans is more than double that of Sanghamithra, more than thrice when compared to loans from village organizations and six times when compared to Myrada loans. It shows that SAGs mainly depend for external credit on banks.

4.1.4 Lending norms

Need-based lending is common. However, in few groups, equal distribution was found in case of loans borrowed from government under subsidy programmes. Lending is only to their group members not to other SHG members and non-members. There are two types of loans: i) large loans for income generation activities, and ii) small loans for consumption and emergency expenses. A member can have more than one loan. However, they are eligible for only one large loan. Loan purposes vary from member to member and from loan to loan. Majority of the members borrowed loans for agriculture inputs, purchase of milk animals such as cow and buffalo, to take up some alternative income generating activity, for education, health and for social obligations. Many members have borrowed for multiple purposes. Loan volume, purpose and utilization will be discussed in the later part of this report in detail.

Table-4.6: Details of Lending Norms					
Lending norms	SAG to members	External agencies to SAGs			
		Bank	Myrada	Sanghamithra	VO
Loan period	3-60 months depends on loan purpose and size	12-60 months; depends on loan size	12- 36 months; depends on loan size	12-60 months; depends on loan size	2 to 50 months; depends on loan size
Installment frequency	1-12 months depends on household income flows	Monthly; rarely quarterly	1-6 months; depends on purpose of loan	1-3 months; depends on purpose of loan	1-3 months; depends on loan purpose
Rate of interest	Re.1 to Rs. 2 pm; depends on purpose of loan	Rs. 0.75 to Rs. 1.25 pm; diminishing rate of interest	Zero to Re. 1 pm depends on purpose of loan and grant source	Rs. 1.25 pm on diminishing rate of interest	Re. 1 to Rs. 2 on diminishing rate of interest; depends on loan type
Mode of repayment	Should pay both principle and interest; Interest is compulsory	Both principle and interest; some times fixed amount	Both principle and interest; some times fixed amount	Both principle and interest; some times fixed amount	Both principle and interest
Surety/ collateral	No collateral ; loan > Rs. 5000 promissory note on court stamp paper from HH members	No collateral; Inter-se agreement between bank and group	No collateral; Loan agreement between Myrada and SAG	No collateral; Agreement between San'mithra and SAG	No collateral; membership in VO, savings and share capital

Loan volume varies from Rs.500 to 100,000 depending on cumulative savings of the member, repaying capacity, purpose of loan and availability of group funds. These criteria are assessed by the group. There is a positive relationship between cumulative

savings of a member and loan size. There is no upper limit on loan amount. If the cumulative savings of a member is comparatively large and the repaying capacity is high, he/she is eligible for a larger loan. The study team has observed that in all the SAGs comparatively better off members have borrowed large number of loans and larger amounts. If the loan is above Rs. 10,000 the member is asked to sign on a bond paper worth Rs. 50 with the joint liability of her spouse or any other earning member in the family.

The 'loan term' varies from 3 to 60 months depending on loan size. If loan size is small (< Rs. 5,000) repayment period is less than 12 months. If the loan is more than Rs. 5,000, the repayment period is between 19 and 36 months. Generally, in case of large loans, the repayment is fixed at Rs. 1,000 per month. The groups call the rate of interest as 'service fee'. Majority groups charge Rs. 1.50 per month per hundred rupees (18% per annum) on loans to members. Banks charge 12 to 14 percent per annum on group lending. Though many groups have charged 24% per annum at the beginning, many have reduced interest rate on loans from 24% to 18% and some even to 12% per annum in the past 2-3 years. During focus group discussions, members gave the reasons for decrease of interest rates as follows:

· *Large interest burden:* Members borrowed large loans. Many group members felt that if the group charges 24% per annum, a large portion of earnings go to pay interest on loan. Further, to pay principle the borrowers often had to approach informal/traditional credit sources. Hence, many groups reduced interest rates on loans to avoid interest burden on members and facilitate repayment from own sources.

- ◆ *Banks reduced their interest rates:* Bankers reduced their interest rates on SAG loans, hence groups also reduced their interest rates on loans.
- ◆ *Large group common fund:* Groups said that at the beginning, they have charged high interest rates to increase their group common fund. Now, groups have large common funds (Rs. 3 to 5 lakh), hence the necessity of collecting high interest rates has decreased.
- ◆ *Promoter's suggestion:* IKP suggested low interest rate to compare with the AP government's subsidy programme on SHG loans called 'pavalavaddi'; this was in Kadiri.
- ◆ *Interest subsidy on loan for housing and insurance:* Loans to pay life insurance premium, for purchase of household articles, to construct toilets and for housing are charged a lower rate of interest by the groups

Though the groups have a norm of repayment of both principle and interest every month, the study team has found some flexibility in practice. Repayment of interest on loan is

compulsory. Whereas repayment of principal is optional. There is no fixed amount per month/per week. Members pay as per the availability of funds. However, they pay an amount equal to the amount of loan instalment due in a month. This flexibility provides space for members to repay loan instalment, to reduce dependency on money-lenders, to minimize consumption expenditure by repaying regularly and at the same time makes it possible to meet emergency and other urgent household consumption needs.

4.2 ACCESS TO CREDIT

No. of cumulative loans: All 120 sample members have borrowed 2,330 loans since inception with an average of 20 loans per member. Table 4.7 shows that of the total 120 sample members, the majority (52.5%) borrowed 6 to 15 loans, while 19.2% borrowed 16 to 20 loans. Another, 28.3% of members have borrowed more than 20 loans. However, 28.3% of members have borrowed less than 10 loans. The data also reveals that the average no. of loans are double in Anantapur (32) compared to Chamarajnagar (15) and Chitradurga (12).

The average number of loans taken by STs is only half (10) compared to all other social categories, whose average loans are more or less equal to the total sample 120 members (20). The average number of loans to very poor (9) and poor (12) wealth ranking categories are low compared to borderline (20) self-sufficient (22) and surplus (19) categories. It shows that the vulnerable categories, very poor and poor, borrow less than others. The reasons that emerged in FGDs are because: i) loans are sanctioned based on members' skills, loan absorption and repaying capacity, ii) on total savings of the member in the group.

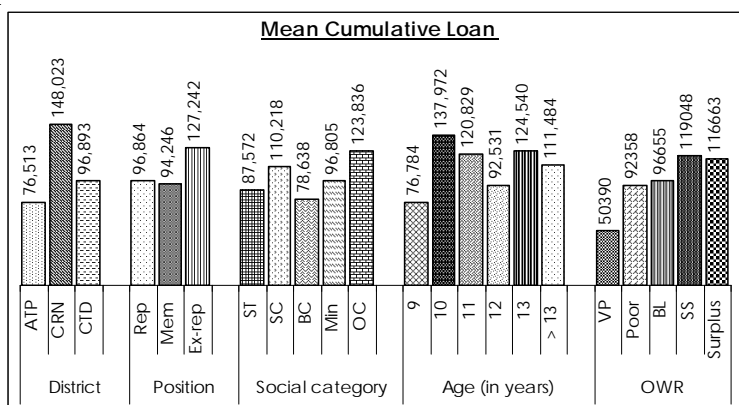
S. No.	No. of Loans	Social category					Total
		ST	SC	BC	Min	OC	
1	06-10	50.0	--	23.3	28.6	30.3	28.3
2	10-15	50.0	28.6	16.7	14.3	24.2	24.2
3	16-20	--	28.6	20.0	28.6	19.7	19.2
4	22-25	--	28.6	20.0	--	9.1	11.7
5	> 25	--	14.2	20.0	28.5	16.6	16.6
	Total	100.0	100.0	100.0	100.0	100.0	100.0

Cumulative loan amount: Table 4.8 shows that the 120 SAG sample members together have borrowed a total loan of Rs. 12,857,166 with an average loan of Rs. 107,143. The data shows that of the total 120 members, the majority (57.6%) borrowed less than

S. No.	Amount in lakhs	Social category					Total
		ST	SC	BC	Min	OC	
1	< 0.50	30.0	14.3	13.3	14.3	3.0	9.2
2	0.51 - 0.75	20.0	--	40.0	14.3	16.7	21.7
3	0.76 - 1.00	10.0	28.5	30.0	--	30.2	26.6
4	1.01 - 1.25	10.0	28.6	6.7	71.4	16.7	17.5
5	> 1.25	30.0	28.6	10.0	--	33.4	25.0
Total		100.0	100.0	100.0	100.0	100.0	100.0

a lakh while the remaining 42.24% have borrowed more than a lakh. However, of the total 57.6% total 57.6% of the members who borrowed less than a lakh, the majority have borrowed between Rs. 0.76 to 1 lakh (26.7%) followed by Rs. 0.51 to 0.75 (21.7%) and less than Rs. 0.50 lakh (9.2%). Further, of all the social categories, the majority percentages of SC (57.2%) and Minorities (71.4%) members have borrowed more than a lakh compared to other social categories. Of the total members, who borrowed less than Rs. 50,000, the percentage is high among STs (30%) when compared to all other social categories.

The data on average cumulative loan of SAG members shows that between districts, position in the group, social category, age of the group and objective wealth ranking categories, there is a perceptible differ-



ence. The average cumulative loan of a SAG member is almost double in Chamarajnagar compared to Anantapur, and more than one-third when compared to Chitradurga. The average cumulative loan of an 'ex-representative' is more or less one-fourth higher when compared to 'present representatives' and 'members'. Among all social categories, the average cumulative loan is low among BC and high among OCs. The average cumulative loan of 9 year old groups' members is high compared to all other ages of the groups. Of all the wealth-ranking categories, the average cumulative loan of very poor category is almost half. Like average cumulative loans, the average loan amount is also low in the case of very poor and poor wealth ranking categories and STs.

4.2.1 Purposes of loans

Table 4.9 shows that of the total 2,330 loans, the majority are for production or income generation (62.61%) followed by consumption (17.56%), social needs (12.58%) and asset creation (7.25%). Of the total loan amount of Rs. 12,857,422 borrowed, the major portion is for production/income generation activities (71.79%) followed by social needs (14.05%), asset creation (10.43%) and consumption needs (3.74%). The data shows that a good number of loans (17.56%) are borrowed for consumption purposes, however the portion of loan amount borrowed for consumption is less (3.74%). The average amount of loan for the purpose of consumption is small (Rs. 1176) compared to the average amount for social needs (Rs 6166), production/IGA (Rs 6495 and asset creation (Rs 7933).

Of the total (1y7.56%)consumption loans, the majority are for food followed by household gadgets. Of the 62.61% production loans, the majority are for agriculture inputs (39.40%), followed by seasonal & petty business (14.08%) and animal husbandry (5.53%). Among the loans for social needs (12.57%), there are loans for health (4.16%) followed by education (3.82%) and to repay high cost loans mainly to repay loans borrowed outside, at high interest rates. Of the total 7.25% of asset creation loans, the majority are for housing (4.33%) followed by insurance and gold ornaments. On an average, the size of loans borrowed for land (Rs. 16,556) is large; it is followed by housing (Rs. 9,591). It emerges that the poor borrow small loans frequently for consumption purposes, and large loans for production and asset creation.

Table-4.9: Purpose wise No. of Loans and Amount						
Purpose of loan		Loans		Amount in Rs.		Mean in Rs.
		No.	%	Total	%	
Consumption	Food/clothing	346	14.85	285,845	2.22	826
	HH gadgets ⁴	63	2.70	195,260	1.52	3,099
Production / IGA	Agriculture inputs	918	39.40	3,802,874	29.58	4,143
	Milk animals	94	4.03	1,223,270	9.51	13,014
	Goat/sheep/poultry	35	1.50	256,624	2.00	7,332
	Business	328	14.08	2,675,268	20.81	8,156
	Self employment	35	1.50	441,350	3.43	12,610
	Auto/taxi/tractor	11	0.47	510,000	3.97	46,364
	Weaving/carpentry	38	1.63	319,550	2.49	8,409
Social needs	To repay old loans	75	3.22	733,737	5.71	9,783
	Marriage	32	1.37	426,849	3.32	13,339
	Health	97	4.16	210,051	1.63	2,165
	Education	89	3.82	436,002	3.39	4,899
Asset creation	Housing	101	4.33	968,720	7.53	9,591
	Toilets	21	0.90	54,770	0.43	2,608
	Land	9	0.39	149,000	1.16	16,556
	Insurance/ornaments	38	1.63	168,252	1.31	4,428
Total		2,330	100.00	12,857,422	100.00	5,518

Table 4.10 shows that of all the loans to STs, the majority are for production activities (69.9%). Among SCs, 35.4% of loans are for production, followed by social purposes (30.5%) and for consumption (25.35%). Among BCs, Minorities and OCs, the majority of loans are for production purposes (BC- 65.1%, Minorities-66.4% and OC-64%) followed by consumption needs (BC-17.8%, Minorities- 18.8% and OC- 17.1%). Of

⁴ Many household gadgets reduce drudgery

all the social categories, STs have borrowed low percentage of loans for consumption needs (5.9%); where as, SCs have borrowed a comparatively high percentage of loans for consumption (25.3%) and social needs (30.5%) and a low percentage of loans for production purposes (35.4%). Further, among all social categories, STs have borrowed high percentage of loans for asset creation, especially for housing.

S. No.	Purpose	ST	SC	BC	Min	OC	Total
1	Consumption	5.9	25.3	17.8	18.8	17.1	17.5
2	Production	69.9	35.4	65.1	66.4	64.0	62.7
3	Social needs	11.5	30.5	11.3	8.4	11.4	12.6
4	Asset creation	12.7	8.8	5.8	6.4	7.5	7.2
	Total	100.0	100.0	100.0	100.0	100.0	100.0

There was an assumption that the SAG members, at the beginning, borrow a larger number of loans for social purposes and consumption needs; but later the number of loans for production and asset creation increases. To verify this, the purpose of loan was correlated with number of loan cycles/age of loans.⁵ Table 4.11 shows that as regards number of loans at all times/ages, there is no significant difference of percentage of the number of loans for consumption needs. However, most of the loans borrowed after 30th loan are for production purposes followed by consumption needs, and very few loans for the fulfillment of social needs and asset creation purposes. The percentage of loans for asset creation increases from 6.9% to 10.9% gradually up to 25 loans and then suddenly decreases (1.6%). It shows that there is no significant difference in the percentage of the number of loans borrowed for various purposes between 1st loan and 30th loan. However the percentage in the number of loans for production purposes remains the highest throughout. Members borrowed loans for consumption needs in all the cycles.

⁵ For example, in the case of a member who has borrowed 10 loans (1st loan in 2001, 2nd loan in 2002, 3rd loan in 2003, 4th loan in 2003, 5th loan in 2004, 6th loan in 2005, 7th loan in 2007, 8th loan in 2007, 9th loan in 2008 and 10th loan in 2009) for various purposes data was analyzed to understand the trends of purpose of loans with reference to loan cycles.

Table-4.11: Purpose of loans and Loan Age (in %)									
S. No.	Purpose	Loan cycles/age of loans ⁶							Total
		1-5	6-10	11-15	16-20	21-25	26-30	> 30	
1	Consumption	18.5	18.3	19.8	17.8	15.9	18.9	13.1	17.5
2	Production	59.4	60.1	56.6	57.5	64.6	60.0	80.3	62.7
3	Social needs	15.2	12.7	14.1	16.0	8.6	16.7	5.0	12.6
4	Asset creation	6.9	8.9	9.5	8.7	10.9	4.4	1.6	7.2
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Disbursement of loan: To understand, how the SAG members used the latest large loan amount, the study team analyzed the data collected from SAG members. Of the 120 sample SAG members, the majority (60.84%) used the full amount for one purpose followed by two (23.33%) and more than two (15.83%). However, the majority of OCs (62%) and BCs (60%) used the total loan amount for one activity. The latest large loan total amount borrowed by all 120 members is Rs. 3,928,734. 22.61% of this amount was used for agriculture inputs, 15.80% for the purchase of milch animals, 15.8% for petty business- both regular and seasonal, 12.43% for housing, 7.96 to purchase motor vehicles; the remaining 26.4% was used for health, education, debt swapping, to buy ornaments, household articles and for consumption needs such as food and clothing. It reveals that a large portion of loan amount (61.54%) is invested in income generation activities and in productive assets followed by permanent assets (29.53%) and social needs (8.93%).

Box-4.1: Large loans for IGA stops migration; SAGs look beyond credit

Of the total 19 members of Vigneswara MSS in Chennalinganahalli habitation of Kanoor village in Kollegal taluk of Chamarajanagar district, two members frequently migrated to nearby towns/cities for work. As a result, they are irregular for group meetings. To persuade them to stop migration and to attend the meeting regularly, the group sanctioned a loan of Rs. 20,000 over 2 years to each member to take up some income generation activity in the village itself. One member started a small petty shop and the other has purchased two milch animals. From the past two years, they are not migrating for work. The same group has made

⁶ 1-5 loan cycles/age of loans means the first five cycles of loans.

donations to construct the school compound wall, water tank, to help victims of natural calamities, to pay honorarium to night school teacher, for a poor girl's marriage and for a death ceremony of a poor person.

Of the total loan amount of Rs. 220,800 taken by 10 ST- SAG members, a major portion was used for agriculture inputs and to purchase autos/ tractors/ carts. Whereas in the case of SCs, of the total loan of Rs. 182,500, a major portion was used for the purchase of cattle, to clear old loans and on children's education. Of the BC members loan amount of Rs. 948,184, the major portion was used for productive assets and housing. Like BCs, OCs also used the major portion for productive and permanent assets. However, unlike other social categories, minorities used the major portion on health, petty business and agriculture inputs.

S. No.	Purpose	Social Category (Amount in %)					Total
		ST	SC	BC	Min	OC	
1	Food material	--	--	--	--	0.62	0.37
2	Health	6.79	--	4.53	29.49	5.05	6.35
3	Children education	--	19.18	2.11	3.98	6.75	5.65
4	Life-cycle ceremonies	7.93	--	3.16	7.97	4.11	4.15
5	Purchase of cattle	6.79	21.37	27.53	--	13.14	15.80
6	Agriculture inputs	36.46	9.86	19.70	14.34	24.37	22.60
7	Petty business	3.62	9.86	5.27	22.71	12.61	10.85
8	Seasonal Business	--	--	5.27	--	5.16	4.33
9	Auto/tractor/cart	36.24	9.32	9.03	--	5.59	7.96
10	To repay private loans	--	21.92	4.99	9.96	2.62	4.41
11	Housing	2.17	5.48	11.45	7.57	14.87	12.43
12	Ornaments	--	--	5.80	--	3.93	3.73
13	Household articles	--	3.01	1.16	3.98	1.18	1.37
Total		100.00	100.00	100.00	100.00	100.00	100.00
Total Amount in Rs.		220,800	182,500	948,184	251,000	2,326,250	3,928,734

Reasons for loan diversification: The members reported the following reasons for loan diversification : i) emergency needs like medical and death expenses; ii) unexpected shortage of funds for constructing a house; iv) to repay private loans borrowed at high interest rate; v) to minimize risk by investing in multiple activities especially in the case of large loans.

4.2.3 Sources of funds to repay loan

The data shows that many members have repaid their loan installments from multiple sources of household income. Majority of the members (69.2%) paid loans from the profits of IG activity taken up with the loan borrowed from SAGs followed by other income household economic activities (46.7%) and daily wages of the household members (24.2%). Very few members depended on external agencies to repay loan installments. This was found only in Anantapur district but not in other two districts. The reasons for this practice in Anantapur district are : large loans were accessed from multiple sources such as internal funds, from banks under SHG bank linkage, bridge loans under Indiramma Housing program and loans from Village Organization. During focus group discussions, many groups reported that due to low income of the households in certain periods, they prioritize loan repayment. They repay to banks first before repaying loans to other organizations.

Problems in loan repayment: During individual interactions, members have reported various problems in repaying loan installments such as: i) failure of crops; ii) periodicity/delay of disbursement of wages; iii) loan used for clearing old debts due to pressure; iv) loan used for non-productive activities and other priority needs; v) dependency on non-perennial income generating activities; vi) rigid group lending norms; vii) no support from household members to repay loan and viii) selling or mortgage of productive assets.

4.3 REPAYMENT AND DEFAULT MANAGEMENT

To understand the repayment of loans from members to the group and the group to external lending agencies such as banks, Myrada Sanghamithra and village organizations, the team analyzed the repayment rate (RR)⁷ and portfolio at risk (PAR)⁸ more than 3 months. The groups that had no information to compute RR and PAR are ex-

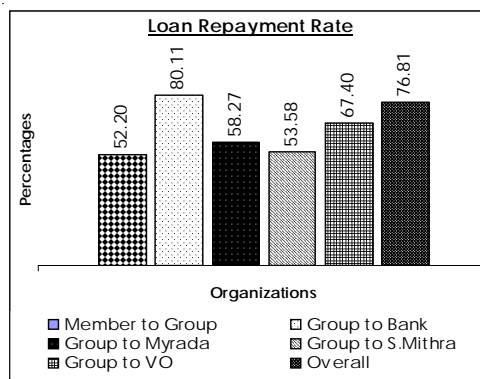
⁷ Repayment rate (RR) is defined as the amount paid compared to the amount due or expected during a specific period. In other words, the percentage of loans due that is repaid on time.

⁸ Portfolio at Risk (PAR) is equal to unpaid principle balance of all loans with payments past due by age divided by outstanding loan portfolio into hundred.

cluded from the analysis while computing RR and PAR from member to group. However, all the groups which have external linkage were included in the analysis.

4.3.1 Repayment Rate (RR) and Portfolio at risk(PAR)

Repayment rate (RR): The data shows that on an average there is a low repayment rate (52.2%) from members to groups compared to the loan repayment rate from groups to external agencies (76.81%). Among all the external credit agencies, the repayment rate from groups to the Bank is 80.11%, to VO 67.4%, to Myrada 55.73 and to Sanghamithra 44.65%. Even though the repayment rate from members to groups is low, there is a high repayment rate from



groups to external agencies. This could be possible only when the group pays loan installment from their group funds. During group discussions, groups have mentioned that the transfer of group funds from savings account to loan account is a strategy to avoid/reduce defaults. The groups also reported that while repaying external loan installments, they prioritize whom to repay and not to pay based on the amount of loan, rate of interest and the kind of benefits and pressure from the lending agency. As the bank loan installments and the interest rates are high, they give preference to first pay bank loans.

Of the 43 SAGs (out of 60) the repayment rate of the majority (67.4%) SAGs from members to group is less than 65%.

S. No.	PAR (in %)	Member to group	Group to external Agencies				Overall
			Bank	Myrada	S.Mithra	Vo	
1	< 65	67.4	25.5	40.9	80.0	40.0	29.6
2	66 - 80	16.3	12.8	13.6	--	20.0	16.7
3	81 - 95	9.3	10.6	13.6	--	20.0	13.0
4	> 95	7.0	51.1	31.9	20.0	20.0	40.7
	Total	100.0	100.0	100.0	100.0	100.0	100.0
	N=	43	47	22	5	15	54

Portfolio at risk (PAR): Table 4.14 shows that the average loan PAR > 3 months is high at member to group level (56.98%) compared to at group to external agencies (31.2%). Among all the four external agencies, the average loan PAR > 3 months is high in Sanghamithra (66.67%) compared to VO (68.60%), Myrada (47.83%) and bank (34.04%).

Table-4.14: Portfolio At Risk > 3 Months (in %)							
S. No.	PAR (in %)	Member to group	Group to external Agencies				Overall
			Bank	Myrada	S.Mithra	Vo	
1	< 5	9.3	66	50	20	40	48.1
2	6 - 15	2.3	--	--	--	--	5.6
3	16 - 25	9.3	--	--	--	--	5.6
4	> 25	79.1	34	50	80	60	40.7
	Total	100.0	100.0	100.0	100.0	100.0	100.0
	N=	43	47	22	5	15	54

The data shows that PAR more than 25% is found in the majority of the SAGs (79.1%). Contrary to it, PAR < 5 percent has found in only (9.3%) of groups. However, in half of the SAGs (48.1%) overall PAR is less than 5 percent. Further, another 40.7% of SAGs have PAR > 25 percent. It indicates that there is a higher risk to the group funds compared to the funds of Bank, Sanghamithra, VO and Myrada.

4.3.2 Default management

Default is of two types-i) genuine and ii) willful. The groups have reported about both the categories. The recovery strategies also vary from category to category. Willful defaulting is rare. In case of willful default, the group takes the member's assets into possession. Whereas in case of a genuine default, there is a rescheduling of loan or a fresh loan is given. In case of death of a group member or main supporter of the household, if the loan amount is small, the loan is waived, if the deceased has a large loan outstanding, then a portion of loan is waived. The groups have reported the following experiences in dealing with default.

Reasons for delayed repayment or default: Groups have given socio, economic and political reasons for the delayed repayment of loans or defaulting. The data shows that about half (46.67%) of the groups have reported non availability of work and migration (56.7%) as reasons. Besides economic reasons, ill health of the household member (s)

and death of head of the family are other reasons for genuine default or delayed loan repayment. The reasons given for willful default were : Few groups (8%) reported promises of political parties to waive SAG loans; misuse of funds by the representatives. Moreover, nearly half of the groups reported that delayed repayment is due to diversification of loan installment amount to other pressing needs such as medical expenses, to meet marriage expenses, to pay other loans borrowed from group/private sources, house construction expenses, agriculture inputs, children educational expenses, monthly auto charges and so on.

Box-4.2: Political Parties and the promise of loan waiver

a. The Saraswathi SHG in Kalasamudram village of Kadiri Mandal in Anantapur district borrowed Rs. 400,000 on 6.3.2008. The group has repaid an amount of Rs. 173,000. During General Assembly Elections campaign, the Telugu Desam Party (TDP) announced “don’t repay any bank loan, we are coming to power and we will wave the SHG-BL loans”. As a result, the SAG stopped repayment of loan installments since January 2009. Further, it has also persuaded other groups not to repay loans. “If you repay, you will lose the amount and the banks will not refund it”.

b. The Kaveri SHG in Gajekhanpalli borrowed a loan of Rs. 3.5 lakh under SHG-BLr total financial inclusion programme on 30.4.2007 and another loan of Rs. 80,000 under Indiramma Housing Programme on 25.3.2008. It has repaid Rs. 76,600. The group representatives are the supporters of TDP. They have borrowed the largest amount of loan from the group. They were sure that TDP will come to power in the coming general assembly election and that the SHG loan would be waived. Hence, they not only stopped repayment but also advised the other groups not to repay loans even though they could pay the loan installments. Interestingly, this is the first and the oldest group in the village that has been involved in many social activities.

The study team explored how groups manage regular repayment of loans or avoid delayed repayment at member level. Members have reported the strategies they adopt such as: i) linking of loan repayment to one of the household major regular income sources (48.33%); ii) running interest free chits among group members (3.33%); iii) hand loans from fellow members (21.67%); iv) private loans (20%); v) bullet payment (35%)⁹; vi) rescheduling as a new loan (31.67%).

Loan processing and appraisal: The data shows that majority groups (85%) have considered the loan repaying capacity of a member based on the household income sources; 70% take into account other loans taken by the family, 67% cumulative savings and 60% loan repayment record in the past. In addition, groups also considered member's attendance at group meetings and regularity of savings, members' present socio-economic status, purpose of loan and association with the group. During FGDs, groups have reported that they follow all these criteria in order to: i) protect their group fund; ii) avoid defaulting; iii) avoid competition between members for credit and iv) to use group funds optimally for productive assets and income generation activities.

Action against defaulters: During focus group discussions, groups reported that the type of action against defaulters depends on the period of default, amount of loan over due, reasons for defaulting and response of the defaulter on group's earlier action. If the loan outstanding is small, the borrower is poor and/or migrated to other village the loan is written off. If a member has larger overdues, loan installments with a fine is levied by the group. Of the 60 sample SAGs, 15% have collected fine or penal interest from the borrower. If the borrower does not attend the meeting when summoned and does not respond positively, the group takes strong action. The data shows that groups have taken different actions such as repeated visits to defaulters' house (35%), which is shameful for the defaulter; they also take away the household articles (13.3%). Only three percent of SAGs have had to report about default to their promoters. It shows that groups have taken strong action on defaulters. One of the SAGs lodged a police complaint against a defaulter to recover the loan.

⁹ The term 'bullet payment' is used where the members pay all the loan installments at one time at the end. As per the group lending norms, the members are supposed to pay both principal and interest every month (EMI). To avoid difficulties in paying EMI, some of the members convince the group to pay interest every month and principal loan amount at the end. The groups mentioned that because of this practice, groups will not lose any income. More over if the group insists on EMI, members who borrow loans for emergencies pay 3/4 installments, then they default. To avoid this situation groups sometimes accept bullet repayment of loans though they have the repayment norm of monthly principal and interest of loan.

Box-4-3: Action taken against defaulters

a. Police complaint against defaulter: One of the members of Bebenanchari MS in Patnam village of Kadiri Mandal in Anantapur district of Andhra Pradesh borrowed a loan of Rs. 15,000. After 4/5 months of repaying, she migrated to Dharmavaram, a nearby town in the district. At the time of moving to Dharmavaram, the member promised the group that she will repay loan installments regularly though she will reside at Dharmavaram. However, she did not pay even a single installment. As there was no response from the member even after repeated visits to her house, the group lodged a complaint against her to recover the loan outstanding amount of Rs. 12,000. Thereafter, the member has agreed and repaid the entire loan amount with interest in 3 months.

b. Collection of household produce (Areca nuts) : Two SAG members of Sri Durgadevi MS in Sivaganga village of Holalkere block in Chitradurga district borrowed a loan amount of Rs. 10,000 each and stopped attending group meetings. All the group members went to the defaulting members' houses, collected 'Areca nuts (Adaki), sold it and adjusted it to the loan outstanding.

c. Bullocks taken into possession: One of the members of Ramabai SAG in H.D.Pura village of Holalkere block in Chitradurga district borrowed an amount of Rs. 20,000 for agriculture and became a defaulter. As there was no repayment from the member even after repeated reminders and visits to her house, the group took the bullocks into possession and sold them to recover the loan amount.

Default management strategies: a) SAGs- default management strategies: The data shows that more than half of the SAGs (51.67%) have adjusted their group fund to pay loan installments; 36.67% of SAGs transferred group funds from group savings account to loan account, which is not a good practice; nearly one-third of SAGs reported that savings was diverted to pay loan installments. Few groups have reported that the fixed deposits (FDs) of SAGs in the bank were adjusted to repay the loan. Further, the groups also reported that they follow these strategies whenever the repayment is reduced from members to group. But not at all times. It is interesting that to avoid delay and interest burden, groups have paid external loans as per the schedule. This practice is found in the groups that have large amount of corpus.

b) Banks-default management strategies: Groups also reported the strategies followed by banks before lending. They are: i) rating of groups by the banks/or the promoters (75%), ii) large funds in group's savings account (42%), iii) a portion of loan or group savings as FD (15%) and iv) show more repayment period (3 to 5 years) in the Bank documents but agree with groups for shorter repayment period (2 to 3 years).

Table-4.15: Default Management Strategies

Strategies-Before Loan	
<i>Groups</i>	<i>Banks</i>
<ul style="list-style-type: none"> ◆ Loans based on member's cumulative savings ◆ On full repayment capacity of borrower ◆ Loan for IGA given priority ◆ Current loan outstanding ◆ Loan repayment track record ◆ Regularity of savings ◆ Promissory note on Stamp Papers 	<ul style="list-style-type: none"> ◆ Rating of groups ◆ Large funds in SAG-SB a/c ◆ A portion of loan as FD ◆ Small loans ◆ Short repayment period with large equal monthly installment amounts ◆ Repayment track record
Strategies- After loan	
<i>Groups</i>	<i>Banks</i>
<ul style="list-style-type: none"> ◆ Monthly principle & interest ◆ Fines with penal interest ◆ Small loans to repay large loan installments or over dues ◆ Adjustment of cumulative savings to loan outstanding ◆ Dividend on savings adjusted to loan installments ◆ Sharing of defaulters list with SHPI ◆ Review of SHG-BL repayment in federation meeting ◆ Police complaint against defaulters ◆ Take assets into possession ◆ Rescheduling as new loan 	<ul style="list-style-type: none"> ◆ Fund transfer from SB to loan A/c ◆ Sharing of info with SHPIs ◆ Formal letters to groups ◆ Personal visits to groups ◆ FD adjusted to loan ◆ Compound interest ◆ Informal ceiling on the withdrawal of savings ◆ Loan sanction linked to repayment of default group

The study team has observed that there is a negative relationship between the loan size and the repayment rate to the group. Members who have large loans default in the group where

as members who borrowed small loans have repaid regularly.

Box-4.4: Loan recovery strategies:

- a. ***Refusal of bank linkage to avoid multiple large loans & risk of defaulting:***The Cheluvu Chennagaraya MS in Muthuchettiur village in Chamarajnagar district was formed on 3.9.1998 with 20 members. Members savings alone total Rs. 201,063. This group has borrowed twice; a loan of Rs. 2 lakhs from the bank and Rs. 1 lakh from Sanghamithra. The bank offered Rs. 200,000 as another loan, but the group has refused further credit because of the availability of a large group fund. It is a good example of financial discipline and management skills.
- b. **Book adjustment of loans:** The Bhagyalaxmi SHG in Tirumaladevarapalli of Nallacheruvu Mandal in Anantapur district was formed with 14 members on 23.6.2000. It has borrowed a loan of Rs. 2.4 lakh from the bank and is repaying regularly. Another loan of Rs. 12,000 was borrowed from VO which was also repaid regularly. Some members borrow small loans, a portion of which is used to pay the interest amount and rest for consumption needs. The previous loan amount and the fresh small loan together is recorded as a new loan. If we observe the loan history of some members in the group, most of the members repaid the loan and borrowed higher loan in the meeting. In fact, though the members have not paid any loan installment, the group recorded that the member has repaid the old loan and taken a new loan. The group mentions the reasons for this practice :
i) members should attend the meeting to pay the interest and to renew the loan ii) promotes regular savings, iii) promotes regular repayment of loan and iv) gives security to group funds.

4.4 CONCLUSIONS

The SAGs have mobilized a large amount of funds from both internal and external sources. Further, groups have built a large corpus comprising interest/ service, fines

& penalties, grants, donations and visiting fee. Because of the practice in many groups of returning a portion of group earnings/ grants/ member savings and availing more credit from external agencies on low interest rates, there is a long credit relationship with external agencies, especially banks. However, many old groups discontinued their relations with external agencies in order to manage their group funds more effectively and to avoid large multiple loans and defaults.

All the members accessed credit from their SAG many times to meet their consumption, emergency and livelihood needs. However, there is a significant difference in the amount of loans among districts, among positions in the group and among social & economic categories. A major chunk of loans is disbursed for income generation activities especially agriculture, animal husbandry and non-farm activities. Loan diversification in some cases for multiple activities especially for social needs caused problems in repaying the loan installments. Most of the members repay loan installments from household income sources.

The repayment rate and PAR > 3 months reveal that there is less risk to funds of external agencies than to group funds. The flexible lending norms of groups focus on repayment of monthly interest rather than on principle. This contributes to low repayment rate from members to groups. Flexibility at member level could be because of groups' confidence levels and their default management mechanisms. However, both the groups and external agencies have formulated strategies to avoid default and/ or to mitigate risk before and after lending. Though banks adjust savings account balances to a defaulting SAG loan account, it is not a good practice. It is a cause for concern that some members borrow from private sources to repay their loan installment. For the loans to result in increased incomes, Myrada will have to support livelihood promotion activities in a more extensive manner.

Chapter 5

SAGs-social Performance

A significant number of groups have extended their support to the victims of natural disasters, poor school going children, vulnerable people and to improve community infrastructure & basic amenities. Further, groups were involved in implementing various social and welfare programmes at village level. At another level, SAGs have benefited from many services from CMRCs. The present chapter analyzes the social performance of SAGs, their role in implementing various development programmes and the services they receive from CMRCs.

5.1 SOCIAL CONCERN

The data shows that all the 60 sample SAGs participated in 290 social activities with an average of 5 activities. The data also shows that of the total 290 social activities reported by the sample SAGs, 91 are related to community infrastructure & basic amenities (31%) followed by education (30%) and social problems & issues (18%). The remaining are related to social problems, health and support to natural disasters. This indicates that if the problem is related to SAG members directly or indirectly, then participation and degree of involvement of SAGs is high. If the problem is related to someone else who is not the resident of their village, then the SAGs response is moderate to poor.

Nature of support: While supporting various social activities, SAGs have extended support in cash or in kind or both. The amount varies from activity to activity and depends on the beneficiary. The amount of donation varies from Rs. 100 to Rs. 3000. If the group members do not benefit, then the amount of donation is less than Rs. 500. Many groups have contributed liberally for the improvement of infrastructure and basic amenities in their own villages. In kind includes free labour, representation to concerned officials, organizing dharna against concerned officials, mediation between community and Gram Panchayat etc. A Majority of the groups dealt with officials one step higher than the village level like the Mandal/block level.

Health - Cleaning of roads & drains : The data shows (see annexure- Details of SHG Participation in Social Activities) that of the 60 sample SAGs, 20% have been involved in cleaning drains in their habitations; 33% of SAGs cleaned roads in their villages and 8.33% of groups have taken care to clean the water tank in their villages. Though cleaning of roads, drains and water tanks is the primary responsibility of the Gram Panchayat, the groups have undertaken these actions. It shows the group's concern for villagers' health. This could be because of Myrada's continuous inputs to groups on health. Even in focus group discussions, many groups reported that they all have received training on general health and reproductive child health (RCH) from CMRC/ federations/Myrada.

Natural calamities - Support to the victims of natural disasters: Of the 60 sample SAGs, 18.33% of SAGs made donations to support the victims of Tsunami-cyclone; 15% of SAGs have contributed to support earthquake victims in the State of Gujarat; and 3.33% have contributed to support Kargil War.

Social capital - education: Many SAGs supported educational institutions to improve their infrastructure and facilities such as i) furniture (11.67%), construction of compound wall (10%), white washing of school (16.67%), supply of cooking vessels, plates and glasses (21.67%), negotiations with educational authorities to place qualified and committed teachers in their villages (13.33%) and support to run mid-day meal programme (13.33%).

SAGs have extended support to poor students in the form of providing stationary & other reading material (pens, pencils, slates, note books) (11.67%), fees for poor children (16.67%), and sponsoring of prizes to meritorious children (2%). Some groups have taken the responsibility of enrollment of dropouts (10%). In addition, many groups (16.67%) met the cost of national festivals such as Republic Day, Independence Day and International Women's Day which were organized in their villages.

Support to orphans, poor and tackling social issues: Of the 60 sample SAGs, 3.33% SAGs made donations for poor girls' marriages; 20% organized mass marriages; 8.33% supported orphan children; 11.67% supported victims of the chronic diseases/ ill-health and 15% supported physically disabled. Further, a significant number of SAGs addressed social issues such as anti-arrack movement (33.33%) and dowry harassment (20%).

Box-5.1: Social Problems

a. Police case on Cheating in the name of love - Ms. Siddamma is a member of Vishnu Mahila Sangha in Hanur SC colony in Chamarajnar District of Karnataka. She has four children, two sons and two daughters. Chandamma was the 4th daughter. She fell in love with Ventakesha who stays next to her house. Chandramama became pregnant. She explained the situation to Venkatesha and soon this news reached his family members. The boy's family was unwilling to accept her as daughter in law. The family took Venkatesh away from the village and nobody knew his whereabouts.

Chandamma approached the village leaders for help but she did not get any support. Later she approached Vishnu Sangha (SAG) which was in the next street. The members took up the issue and approached the boy's family but they got no answer. As a next step, the members of Vishnu Sangha lodged a police complaint against Venkatesha. When the police did not take action, all the Sangha members went on strike in front of the police station to get justice. Finally, the issue was taken seriously and the police looked for Venkatesh and found him at Belathur village. At this stage, the local youth group also supported the members in this good cause. He was brought back to the village and the SAG members made Ventakesh to marry Chandamma on the same day. Meantime Chandamma had delivered a boy baby. The members happily say now Chandamma is happy with her husband and she is having three children.

b. Mass Marriages: The SAG federations of Odeyarpalya village meet once a month to review the progress of the SAGs. While reviewing the financial reports the members observed that most of the members are taking loans for marriage. The members started discussing the expenses made towards marriage and concluded that they would promote mass marriages.

All the neighboring SAGs contributed some amount towards mass marriage; the members approached the fair price shop and other shop owners to mobilize rice, vegetables and other material. Apart from this, Rotary club –Hannur and other donors gave one pair of clothes to the bride and to the groom along with “Thali”. Only 25 guests per couple were allowed to attend the marriage party. In the first year, 5 couples got married, second year 6 and in third year 4 weddings took place. The purpose to bring down the expenses was achieved.

Community infrastructure & lobbying Government for amenities: The data shows that of the 60 sample SAGs, 5% made donations for the construction of temples, 25% for dobhi ghats/platforms to wash clothes and 11.67% for community halls. Some groups donated funds to improve infrastructure and other amenities such as roads (18.33%), drinking water (13.33%), repair of hand pumps (6.67%), electricity (16.67%), street-lights (11.67%) and water troughs for cattle (21.67%). Some groups have submitted memoranda to concerned officials and organized dharnas against officials to solve the problems and get their entitlements. Some groups lobbied to get livelihood programmes for their village such as to include their village under SGSY programme (5%), to set up a milk cooperative dairy (6.67%) and for watershed programmes (10%).

Box-5.2: Participation in social activities

a. Drinking water: The Kaveri SHG and Sainath SHG in Gajikhanpalli in Nallacheruvu Mandal of Anantapur district submitted a memorandum to Mandal Development Officer to get a road and to install drinking water taps and hand pumps; they succeeded in getting all.

b. SGSY programme: The Millad MSS in Ellemala village of Kollegal taluk in Chamarajnagar district submitted a memorandum to the officials to include their village under the SGSY programme. They then organized a dharna to solve drinking water and electricity problems in the village. Further, they donated Rs. 7000 to construct a water tank and improve a school building in the village.

c. Dharna for regular supply of electricity:

The Cheluvu Chennagaraya MS in Muthuchettiur village in Ramapura Panchayat of Kollegal taluk in Chamarajnagar district, along with the other SAGs in the village, organized a dharna against the electricity officials for the irregular and poor supply of electric power for households as well as for agriculture purposes; this helped to improve the power supply.

d. Single number Lottery: Soubhagyalakshmi sangha of Gejjalanattha village is 10 years old. The members were conducting regular weekly meetings and reviewing the loan status. At this time, the members observed that Kanthamani was not repaying the loan regularly. The members asked for reasons and Kanthamani said that her husband was in the habit of playing single lottery and he spent all the money he earns towards it. Discussion was held and two other

members expressed the same problem. Later, the members realized that this problem is with most of the families and decided to take some action to stop this lottery.

The members discussed and decided to close the shop which was running the single lottery system. All the members together went to the shop where single number lottery was played. At this time they were some men playing single number lottery; these men told the SAG members to go back home. The members did not care, but starting shouting slogans against the owner and sat in front of the shop and said they will not go back home till the shop is closed. In the evening, they held discussion with the shop owner and they said if this were not stopped, they would bring all other SAG members and will take serious steps. With this threat, the owner became afraid and he agreed that he will close the shop and he did it. The members say that this was the only shop running single lottery and spoiling many families; with all the members efforts this shop was closed. This was a great achievement of the group.

e. Milk Dairy Cooperative Society: Kandaiahnapalya is one of the remote village of the Kollegal Project area. There was a problem for the Dairy farmers to sell their milk; they depended on the Milk Society at Lokkanahalli. This issue was discussed in the SHG meeting and the SHG members decided to have their own Milk Co-operative Society. The SHG members and Project staff together approached the higher authorities of the **Karnataka Milk Federation**. They suggested to start a Women Milk Cooperative Society to get the formalities completed more easily. This was discussed in the meeting and a Board of Directors was selected to start the society.

One of the members (Smt. Shanthamma- Name changed) was selected as President and took the lead to complete the formalities. Over a period, she started controlling all the work without sharing any information with the SHG members, even the society was registered without bringing to the notice of the SHG. The angry SHG members approached the village leaders to solve the problem. The President refused to help; then they went to the Court for justice. The court gave a verdict in favour of the SHG members and Ms. Shanthamma was removed from the position of the president and a new president was elected. The members express that today the Federation is running in a transparent way and the members are happy to have their Milk Cooperative Society.

5.1.1 SAGs Role in promoting other SAGs and in capacity building

Like Self Help Promoting Institutions (SHPIs), SAGs have played a role of promoting and strengthening of SAGs. Promotion of groups includes mobilization and formation of groups, reviving of defunct groups institutional capacity building and participation in awareness campaigns at village and block level organized by Myrada, other NGOs and government.

Of the 60 sample SAGs, 28 SAGs promoted 70 new SAGs, (from one to eight) with an average of 3. Some of these SAGs are of differently abled members. From the sample, three SAGs performed exceptionally well in promoting new SAGs, each of them promoting 5-8 SAGs. Ten out of 60 sample SAGs, have revived 23 defunct groups by helping to sort out their problems. Besides, some SAG members are included in the 'Monitoring Committee' at the federation level and have visited many defunct groups, resolved many issues and restarted groups.

Box-5.3: Promotion of New SAGs

Mahalaxmi SHG started on 17-6-2000 in Cheveivaripalli village of Nallacheruvu Mandal in Anantapur district; this SHG has formed 8 SHGs in its village. Jyothi MS was formed on 8-1-1999 in Sagya village of Kollegal block in Chamarajnar district and Kollapuradamma MS that was formed on 17-7-1998 in Archalli RS village of Holalkere block in Chitradurga district; these two SAGs have promoted 5 SAGs each in their villages. The Gammajji SAG in Arahalli village of Chitradurga has formed 4 SAGS of vulnerable differently abled groups in their village.

Annexure 3 – Details of SAG participation in social activities.

Chapter 6

CMRCs - Community Managed Resource Centres

6.1 ORIGIN OF CMRCS

Myrada has promoted and keeps in touch with 9747 SAGs in its projects. Over 15 years ago these SAGs joined together in groups of 10 –15 and formed Federations. The SAGs decided the roles of the federations. Initially the federations were expected to provide support to resolve problems and conflicts; they were then asked to call monthly meetings in order to collect SAG data of the financial transactions including the purpose and size of loans, amount of savings etc. of all the members and provide it to Myrada for analysis. The indicated certain patterns and trends in particular areas. This helped Myrada to focus its livelihood interventions to add value, scale and promote diversification. The SAGs did not give the Federations the role of lending or financial intermediation.

By 2004 Myrada had worked for over 15 years in several Projects supporting livelihoods, promoting watershed management to reduce risks in dryland farming for which SAG members had taken thousands of loans, providing protective irrigation, crop diversification, storage and marketing, constructing houses and drinking water systems, promoting public and private sanitation, providing marketable skills, promoting organic farming , horticulture, sericulture and animal husbandry and several off farm livelihood activities. In brief Myrada was involved in all round development of which credit provision was one factor. After 15 years Myrada decided to implement its withdrawal plan. It then found the federations were too small to be self reliant financially; they were also not inclusive enough since they admitted only SAGs formed by Myrada.

Discussions between Myrada, the federations and the community based organisation resulted in the emergence of the Community Managed Resource Centres. Briefly they comprised 100-120 CBOs which included SAGs of Myrada, watershed management

groups (Area groups) which were not in the Federations earlier and SAGs formed by other institutions like Government who opted to become members. These too were not included in the federations. However, the CMRCs decided that only those SAGs which were assessed as performing well could become members. An annual subscription was to be paid for which some services like audit would be provided by the CMRC. All other services would be charged for. One Myrada staff with experience in the area would be deputed to the CMRC as Manager; he/she would report to the Board of the CMRC which was elected from the SHGs. The CMRCs could ask Myrada to change the staff if he/she was found unsuitable. The CMRC would have to meet all establishment costs as well as part of the Managers' salary after 3-4 years. Annual Reports and audit accounts would be presented to all at a public meeting of the general body which comprised all members of the SAGs attached to a CMRC.

6.2 OBJECTIVES AND FUNCTIONS OF CMRCS

During interactions with the Study Team, the staff and board of directors of CMRC have mentioned the following objectives of the CMRCs: i) to provide necessary information on developmental programmes; ii) to promote linkages with Banks for loans and with government line departments for pro-poor programmes; iii) to solve the groups' problems; iv) to strengthen institutional capacity of SAGs; v) to promote livelihoods through skill improvement training; vi) to promote insurance services; vii) to provide legal services; viii) to provide services to differently abled and ix) other services as requested.

During discussion, staff reported that the CMRCs on average earn an income of Rs.100,000 per annum from various sources. The CMRCs have maintained linkages with i) Sanghamithra ii) Integrated Child Development Services (ICDS), iii) NGOs, iv) Insurance companies, v) Banks, vi) Health Department, vii) Revenue department, viii) PRIs, ix) Industries, x) Training Institutions, ix) Rotary/Lions Clubs, xii) Government departments – Agriculture, Horticulture, Forest and xiii) Private agencies providing gas and household material.

6.3 INCOME SOURCES OF CMRCS :

According to the staff and Board of Directors of CMRCs, income sources are: i) Membership fee, ii) SAG yearly contribution, iii) service fee for non-members, iv) service charge for regular members, v) training to others, vi) donations from public and vii) services to NGO community and government.

6.4 ISSUES IN CMRCS :

During discussions, the CMRC staff, board of directors, Community Resource Persons (CRPs; they are experienced members of SAGs who are selected to provide training and support and paid for their services by the CMRCs) and groups have shared the following issues related to CMRCs :

Government officials are Biased against groups promoted by NGOs : It emerged during discussions that Govt. officials while implementing pro-poor programmes through SAGs, give first priority to poor quality groups promoted by WDC/IKP rather than to quality groups promoted by NGOs. As a result, many eligible groups have not accessed programmes meant for the poor.

Aggressive approach of Microfinance institutions: For the past two to three years, microfinance institutions, especially NBFCs who profess to promote development and help the poor, have intensified their credit activities through promotion of joint liability groups (JLGs). Many SAG members enrolled with MFIs because they were given a large amount of credit with simple group norms; unlike the SAGs Due to multiple loans from different organizations and pressure on repayment of loan installments from NBFCs, SAG members are only paying interest every month to the SAGs whereas the loan installment amount due to the SAGs is used instead to pay the NBFCs loan installments. The problems caused by multiple lending/borrowing is a big challenge to CMRC staff.

Intervention of other agencies : Agencies from outside are misleading the SAGs. For example in Shagya village a private gas agency gathered nearly 200 CBO members and asked them to pay Rs. 4800/- to get gas connections which have still to be provided.

Revenue generation for sustainability: Each CMRC requires an average of Rs. 20,000 per month towards CMRC expenditure. On an average the annual income of CMRC is Rs. 100,000/-. It is difficult for CMRCs to meet all the expenditure from their earnings. They require another 2-5 years to attain financial sustainability.

CMRC is not an alternative to Myrada: The participants have reported that it is very difficult for them to convince the people that CMRCs emerged as self help peoples' institutions as part of Myrada's withdrawal strategy.

Attrition and poor quality of CRPs: Many times CRPs resign with short notice. Getting qualified persons is a challenge for CMRCs. Besides, some CRPs are not living up to the expectations of SAG members.

Book-keeping is one of the major issues of CRPs: The CMRC Boards reported the following reasons for poor book keeping : i) frequent change of CRPs due to attrition, ii) different book keeping systems of Indira Kranthi Patam (IKP) and Myrada, iii) low book keeping skills of CRPs and book writers due to poor quality training.

Concerns of SAGs: During focus group discussions with SAGs, some members have expressed the following concerns relating to CMRCs:

- ◆ *Untimely trainings:* Sometimes CMRCs offer training during peak agriculture seasons; this limits members' participation in the training programme. Many school going children are interested to undergo training programmes in tailoring, computers, spoken English etc. But since most of the training programmes are scheduled during school days, children are unable to attend the trainings. If these training programmes are organized during summer, many more can benefit.
- ◆ *Not very useful trainings:* Sometimes, CMRCs impose training on members, even though they are not interested in the trainings like agricultural practices and animal husbandry
- ◆ *Poor quality training:* The members said that the quality of training has decreased because of poorly qualified trainers who are unable to answer the questions of participants and have poor communication skills; book writers are better than CRPs especially in book-keeping trainings.
- ◆ *Poor monitoring and few visits from the CMRC:* During focus group discussions, some groups have mentioned that there is no monitoring of groups from the CMRC; there are no visits, not even once in a month.

6.6 OWNERSHIP AND MANAGEMENT OF CMRCs BY ITS MEMBERS:

To assess whether the CMRCs are community managed, owned and controlled institutions or not, the study team collected the opinion of CMRC Managers and CRPs separately. The CMRC managers stated that the dependency of BoDs on the Manager (who is a Myrada staff) varies from 30 to 60 percent with an average of 46%. Like managers, CRPs also stated that on an average up to 53% CMRCs are community managed, owned and controlled. That means even after 5/6 years of experience, poor people are unable to manage and control CMRCs fully. The staff and BoDs mentioned the following reasons : i) the BoDs have inadequate understanding of the CMRC concept & its functioning; ii) low commitment and participation levels of BoDs in CMRC affairs, as the BoDs work is voluntary and unpaid; iii) the Myrada staff are unwilling to lose their power and personal ego; iv) the BoDs have not enough negotiation skills to manage linkages with Govt. officials and the line departments.

The CMRC staff and the BoDs have made some suggestions for the capacity building of the Board of Directors, so that the CMRCs emerge as community managed institutions, owned and controlled by the people. They are: i) offer honoraria to the Board of Directors; ii) provide capacity building to BoDs on CMRC concept and on the roles & responsibilities of the Board of Directors, iii) build awareness of various developmental programmes and funding sources; iv) enroll more members; v) build second line of leadership; and vi) arrange more staff development programmes to enhance their training abilities.

6.7 EVOLUTION OF THE ROLES OF CMRC

To understand how far the CMRCs are addressing the changing needs of its members, the study team collected information on whether the roles of CMRCs have changed. The SMRC members informed them that at the beginning, CMRCs mainly focused on i) formation and strengthening of groups; ii) training on the sustainability of groups; iii) bank linkages and iv) health related programmes. Now, CMRCs primary focus on : i) skill development trainings; ii) mobilization of programmes such as toilet, housing and job opportunities; iii) trainings on sustainability; iv) information sharing on various development programmes.

In response to the question, how far have CMRCs succeeded in achieving the objective i) of capacity building/trainings; ii) linkages and iii) strengthening of SAGs, the staff and the board of directors reported an average of 70%, 50% and 60% performance respectively.

The staff also listed the following services that the SAGs now expect from the CMRCs i) LPG connections; ii) skill trainings on driving, carpentry, organization of health camps, construction of toilets and sanitation programmes; iii) preparation of micro-credit plans. The staff has said that keeping in mind the needs of the members, in future, CMRC would like to focus more on linkages with government programmes, on prioritising skills based training programmes to promote off farm livelihood activities.

6.8 CONCLUSIONS

Though SAGs were formed with the intention of empowering the members through the management of savings and credit, they are also involved in various social activities. Most of the SAGs were involved in cleaning of roads, drainage canals and water tanks in the village. This reflects their concern in improving the facilities at village level. They have also extended support to poor girl children and vulnerable persons. However, the involvement of SAGs in addressing domestic violence is minimal. The de-

gree of involvement in addressing various social issues depends on the benefit they gain from the involvement i.e. if the group or the members directly or indirectly benefit, the participation levels are higher.

There is a dependency of BoDs on the Manager because : i) the BoDs have poor understanding of the CMRC concept & its functioning; ii) there is low commitment and participation of BoDs in CMRC affairs, as the directors' position is voluntary and unpaid; iii) the Myrada staff is unwilling to lose their power and personal ego; iv) the BoDs have not enough confidence and negotiation skills to manage linkages with Govt. officials and their line departments.

Chapter 7

Impact

The chapter focuses on the changes at group level, community level and household level as a result of group activity. Further, it also analyses the empowerment of SAG women in matters relating to support from household members, mobility, access & control of household resources and assets, role in decision-making and changes in traditional roles of women.

7.1 CHANGES AT GROUP, COMMUNITY AND HOUSEHOLD LEVELS

7.1.1 At the Group level

The study team collected data from the SAG members related to changes at SAG level. These changes include :

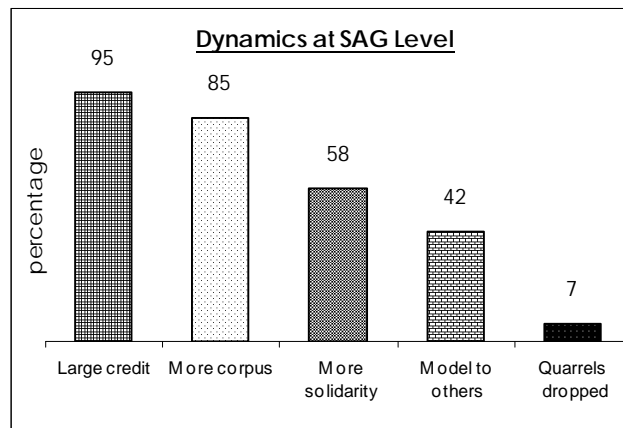
Adequate credit: Almost all SAGs (95%) have reported that at present, groups are able to provide adequate credit, to their members to take up income generation activities. In this context, some groups mentioned that few members withdrew membership during the early years since only small and few loans were given.

Large SAG common fund: More than 85% of groups mentioned that the groups have built a large common fund – at times upto Rs. 8 lakh; it varies from group to group.

Greater solidarity: Some groups reported that at the beginning, there were small quarrels and disagreements between members. Now, the majority of groups (58.33%) have reported that there is a good unity among the members and they respect one another, listen to others, abide by group decisions etc.

Respect from bankers : Majority of the groups reported that Bankers have increased respect for SAG members. Many SAGs explained the changes as: i) at the beginning of the SHG-bank credit linkage programme, Banks had sanctioned small loans of Rs. Rs. 10,000 to Rs. 15,000 after repeated visits by the group. Now, Banks are willing to give loans upto Rs. 2 to 3 lakh; ii) In the past Banks kept their applications pending for long periods, now they are giving preference to SAG women; iii) No Bank staff offered

a seat to SAG women in the past. Now, SAG women are treated equally with other customers; iv) Unlike in the past no Bank staff get angry or impatient with SAG women now.



Model to others: Many groups (41.67%) have reported that being senior groups in the village, they are the models or torchbearers to the newly formed groups and to the poor who want to form groups. During focus group discussions, to the question ‘who inspired/motivated you to form a group, some groups have answered as ‘so and so group formed in the village; they inspired us to form a group. Few groups reported that as they are performing well, many organizations from all over the country are coming to their groups for exposure.

Quarrels & dropouts: Some groups (6.67%) have mentioned that quarrels arose among members; few members dropped from groups due to misuse of group funds.

Linkages and membership with other agencies: Some groups pointed out that unlike initial years, groups have linkages with various organizations outside the village such as banks, Govt. Departments (Revenue, Forest, Women & Child), federations and CMRC.

Lower dependency on promoting/ external agencies: Many groups said that at the beginning groups depended on promoters for many things. At present, groups are able to manage many things on their own- book keeping, meetings, credit linkage with Banks and SGSY loan (from DRDA).

Adherence to group norms: Many groups reported improvements in the following areas: regularity of savings, attendance at meetings, strict implementation of fines and financial transactions, decisions taken only in meetings and payment of interest on savings.

Box-7.1: Birth Day celebration of Kanakadurga Mahila Sangam:

*Kanakadurga SHG in Obicherla village of Nallacheruvu Mandal in Anantapur district was formed on 16.10.2000. For the past four/ five years it has celebrated the **Birth Anniversary of the SAG**. On this day, all the members take off from their daily activities, organize a meeting, wish each other, distribute sweets and organise recreational activities. It shows the importance of the group in the lives of these women.*

7.1.2 AT THE COMMUNITY LEVEL

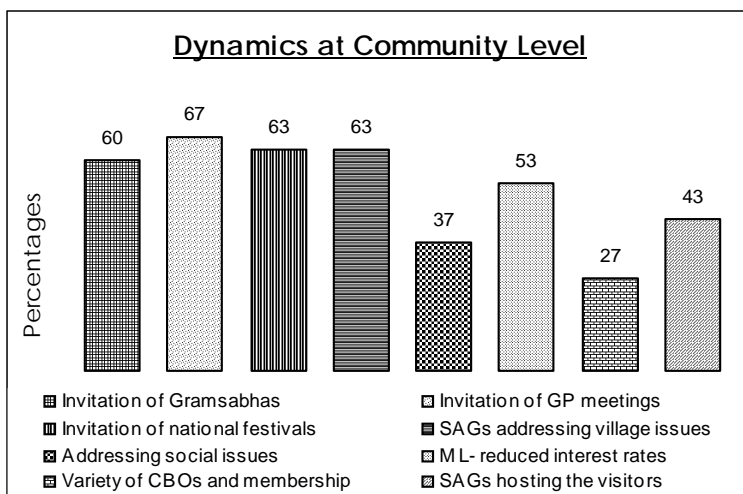
To understand the relations between SAGs on one hand and Gram Panchayats, educational institutions, religious institutions, traditional credit sources and other community based organizations, the study team initiated discussions and collected data in each case.

Relations with the Gram Panchayat: The data shows that the majority of the sample SAGs have received invitations from Gram Panchayats on various occasions such as : i) to participate in the Gram Sabha (60%) and Gram Panchayat meetings (66.67%); ii) for national festival celebrations (63.33%). Some SAGs mentioned that, unlike old days, Gram Panchayats now invite active SAG women leaders along with men to settle petty cases at the Gram Sabha held at village level. Gram Panchayats are asking SAGs to put pressure on the officials/ people's representatives to get approvals, sanctions & fund releases for works proposed by GPs. GPs often submit proposals to officials through SAGs, request SAGs to approach concerned officials and to organize dharna/ strikes against concerned officials in case of delay. In one of the sample villages in Chitradurga district, GP handed over a case for settlement to SAGs, related to land grabbing.

SAGs are using GP invitations to attend Gram Sabha and other meetings as platforms to share their problems. These experiences indicate the growing interaction between SAGs and GPs.

Relations with Educational institutions: The various kinds of support that the SAGs have given to schools is a good indicator of the relations between them. Of the total 60 sample SAGs, many have supported schools in their villages by providing stationery, library material and furniture, by sponsoring prizes, paying fees for poor pupils besides regular monitoring of school functioning. Majority SAGs participated in cam-

paigms to eradicate child labour (42%), Total Literacy Campaign (57%) and to promote Girl Child Education. In addition, there are instances of teachers taking the help of SAGs, to bring dropout children back to school. In turn, groups are allowed to conduct



meetings in school premises. Further, groups are also invited to participate in national festivals organized in the school. It is evident that reciprocal relations exist which are beneficial to both.

Relations with Traditional Credit Sources/Moneylenders: During focus group discussions, groups reported noticeable changes in the lending practices of moneylenders. 53.33% of SAGs said that their interest rates have come down from 5% per month to 2%. Unlike in the past, money lenders are not insisting on collateral. Soft recovery methods have become the practice in place of insensitive recovery methods like filthy language, taking away the household articles, refusing to return mortgaged articles because of expiry of loan repayment date. The groups also said that though many members still depend on moneylenders, now, there is no continuous debt bondage. As a result, some traditional money lending families have moved to nearby towns and cities. As the moneylenders interest rates declined and even became on par with SAGs, some groups have reduced their interest rates from Rs. 3/2 to Rs. 2/1.50 per month.

Relations with Religious institutions: The venue of group meetings, utilization of group funds and the social activities undertaken indicate the relations between SAGs and religious institutions. Few SAGs have donated Rs. 2 to 3 thousand for the construction of temples/mosques/churches in the villages. Some groups hold meetings in the temple

premises. Many SAGs organized pilgrimages and tours with members and their household members. Some SAGs participated in organizing fairs & festivals at village level on the request of the organizers and/ or the religious institutional heads. This clearly reveals the kind of recognition that the religious institutions have given to SAGs.

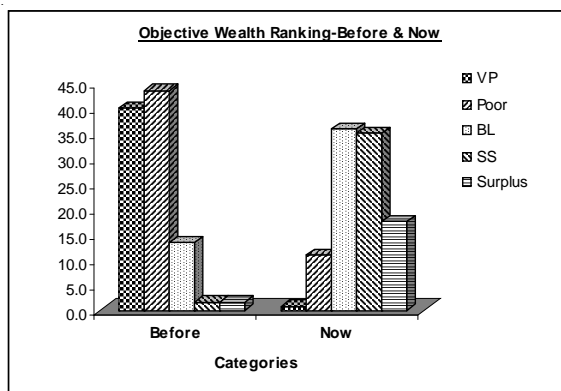
Relations with Officials : Officials from various institutions visit the villages in connection with various development projects/schemes. Generally, the Chairperson of the GP/Project Implementing Agency/ rich farmers take care of the visitors and visitors also generally go directly to them. There are now changes. The data shows that 43.33% of SAGs hosted the officials who visited their villages. This indicates the attitudinal changes of officials and increased confidence of the SAG women to host the visitors, though it costs money. During focus group discussions, SAGs said “you came to our village from distant places and work for us; it is our minimum courtesy to take care of you; hosting high officials like you is a pleasure to us”. However, most of the visitors have offered to pay for their services even though SAGs refuse the payment.

Relations with Political Parties & Involvement in Elections: During FGDs, groups have reported that politicians have helped them in sanctioning bank linkages, especially SGSY loans and by giving/ mobilising donations. The Gram Panchayat provided land to construct the CMRC office in many cases. In addition, there is much encouragement to form as many groups in the village. In return, they have requested SAG support in the elections. Some groups have reported that the politicians have offered money to some of the groups in their villages. However, no group has revealed the names of the groups and the politicians. The village organization in Chevitaripalli in Anantapur district has taken a decision that those groups which take funds from politicians for voting would be expelled from the village organization.

Attitudinal changes in Gender Relations: The SAGs have cited many examples of behavioral changes of the community members. At the beginning, men passed negative comments that lowered the status of SAG women such as : i) Why do they need to meet every week; ii) Do they not have any work at home; iii) What do they want to do with small savings? iii) Are they going to build bungalows? iv) Are they going to meetings or somewhere else? v) Women have been spoiled. Some groups also reported that while the group meeting is going on, men tried to hear the discussions by standing outside, some times they stand behind the walls. All this showed the negative attitude of men toward women and SAGs in the past. Unlike in the past, at present these negative comments have stopped and there is encouragement in the place of opposition/discouragement. Some SAGs have reported that men are motivated by the performance of SAGs and they too formed men Self Help Affinity Groups.

7.1.3 CHANGES AT HOUSEHOLD LEVEL

Economic status/ objective wealth ranking of sample households:¹⁰ Based on the wealth ranking indicators derived from the PRA exercise [such as: i) state of house; ii) regularity of income; iii) number of productive and household assets; v) degree of food security; vii) level of education; viii) status of health; viii) others (includes women headed households, poor physical and mental health, level of debt and alcoholism)], all the sample households were wealth ranked into five categories namely: i) very poor, ii) poor, iii) borderline, iv) self sufficient and v) surplus.



Category Before	OWR- Categories					Total (N=120)
	VP (N=48)	Poor (N=52)	BL (N=16)	SS (N=2)	Surplus (N=2)	
Shift After						
1. Very poor	--	--	--	--	50.00	.83
2. Poor	22.92	3.85	--	--	--	10.83
3. Borderline	43.75	40.38	6.25	--	--	35.84
4. Self-sufficient	25.00	42.31	37.50	100.00	--	35.00
5. Surplus	8.33	13.46	56.25	--	50.00	17.50
Total	100.00	100.00	100.00	100.00	100.00	100.00

Note: VP- Very Poor; BL - Borderline; SS-Self Sufficient

¹⁰ The study team facilitated PRA excises (wealth ranking) to collect data of SAG member households both at present and in the past through recall by applying the objective wealth ranking technique.

Some of the SAGs in Kollegal block have documented the wealth ranking data of their group members at the time of formation of group in their meeting minute's books. After completion of wealth ranking exercise, the study team compared the data relating to wealth ranking in the past through recall with the wealth ranking exercise done by Myrada at the time of formation of the group. In 95% of cases, the data collected by the study team matched with the past data documented in group meeting minutes books at the time of formation of the group by Myrada.

Table-7.2: Mobility in Wealth Ranking						
120 Sample members	OWR- Categories					% age
	VP (N=48)	Poor (N=52)	BL (N=16)	SS (N=2)	Surplus (N=2)	
Before	40%	43.3%	13.3%	--	--	
After	0.8%	10.8%	35.8%	35%	17.5%	

Table 7.1 shows that of the total 48 very poor SAG members, at the time of group formation, majority moved to borderline (43.8%) followed by self-sufficient (25%) poor (22.9%) and surplus (8.3%) categories. Of the total 52 poor SAG members, majority moved to self-sufficient category (42.3%) followed by border-line (40.4%); 2 members remained as poor. Of the total 16 borderline category, except one member, all others moved to surplus (56.3%) and self-sufficient (37.5%) categories. Of the members who belong to self-sufficient category, there is no change. Of the 2 surplus category members, at the time of group formation, one is in the same category and the other moved down to very poor category.

The data on objective wealth ranking of SAG members (Table 7.2) at the time of formation of groups shows that of the sample of 120 SAG members, the majority members belonged to poor (43.3%) and very poor (40%) categories; another 13.3% belonged to borderline category; and a very small percentage of members belonged to self sufficient and surplus categories. Whereas, now, objective wealth ranking of the sample 120 members (Table 7.2) shows that the majority of members belong to self-sufficient (35%) and surplus (17.5%) categories; 35.8% belong to border line; and the remaining are poor (10.8%) and very poor (0.8%) categories. Of the total 120 SAG members, 94% moved to higher categories, 5% remained in the same category and one member moved down from surplus to very poor category.

Table 7.3 provides data on social category and objective wealth ranking; it shows that except OCs, the majority SAG members, among all other social categories belonged to very poor category at the time of group formation. However, many OCs also belonged to poor category. The data on objective wealth ranking at present shows that majority OC member belong to self sufficient and surplus categories. Where as among BCs and Minorities, majority SAG members belong to borderline followed by self-sufficient categories. However, among STs and SCs majority members belong to bor-

derline and poor categories. It shows that though majority of SAG members, irrespective of social category, belonged to very poor and poor categories at the time of formation of the group, at present majority of BC, Minority and OC sample members belong to higher order of wealth ranking categories such as self sufficient and surplus categories.

Table-7.3: Social Category and Wealth Ranking of SAG Members

Period	Rank/category	Social category				
		ST (N=10)	SC (N=7)	BC (N=30)	Min (N=7)	OC (N=66)
Now	Very poor	--	--	--	--	1.5
	Poor	30.0	42.9	6.7	--	7.6
	Border Line	30.0	14.3	46.7	42.9	33.3
	Self Sufficient	20.0	28.6	30.0	42.9	39.4
	Surplus	20.0	14.3	16.7	14.3	18.2
Before	Very poor	60.0	57.1	53.3	57.1	27.3
	Poor	30.0	28.6	43.3	28.6	48.5
	Border Line	--	--	3.3	14.3	21.2
	Self Sufficient	10.0	--	--	--	1.5
	Surplus	--	14.3	--	--	1.5

Number of household economic activities: The data shows that of the 120 sample SAG member households, majority households (76.7%) depend on multiple (3 to 6) economic activities, followed by two (20%) and one (3.3%). However, at the time of joining the groups, majority households depended on one economic activity (58.3%) followed by two (36.7%) activities. Of the 70 sample member households which had one single economic activity at the time of joining the group, all the households except two have two and more economic activities now. Of the total 44 households who had two economic activities at the time of joining the group, 86.3% of households depend on three to six economic activities now. It shows that after joining the groups, most households (76.7%) increased their economic activities (3-6). This is because most of the households now have access to credit to take up income generating activities that are suitable to them and their household members and which fit into their household livelihood strategy.

Table 7.4: No. of Economic Activities of HHs						
	No. of activities	Before			Total	
		One	Two	Three	F	%
Now	One	2	1	1	4	3.3
	Two	19	5	-	24	20.0
	Three	30	19	1	50	41.7
	Four	9	10	3	22	18.3
	Five	6	8	1	15	12.5
	Six	4	1	-	5	4.2
Total		70	44	6	120	100.0

Occupational mobility: Table 7.5 on the household economic activities of the sample members shows that, at the time of joining the groups, agriculture was one of the main economic activities of majority households (72.5%). Now, it has increased to 85.8%. Within agriculture, there is mobility towards commercial crops such as horticulture, sericulture and floriculture. At the time of joining the groups, animal husbandry was one of the economic activities of 8.3% of households. Now, it has reached 58.3% of households. Interestingly, the percentage of households depending on agricultural labour remains the same (32.5%).

The percentage of households depending on jobs, both private and government, has increased from 5% to 20.8%. It is because of SAG loans for children education and better opportunities for them. At the time of joining the groups, only about 3 households depended on non-farm skills based economic activities such as tailoring, beedi rolling, weavings, brick making masonry, NTFP collection, driving, running an auto/taxi/tractor. Now, the percentages of households who depend on skill based and non-farm economic activities has reached 7%. However, the percentage of increase in the number of households depending on tailoring (9.2%) and driving (10.9%) is higher when compared to all other non-farm economic activities listed from 9-19 in table 7.5; others have reported less than 5% increase.

Some households have started new economic activities that were not the economic activities of any household prior to joining the groups. These non-farm economic activities include book-writer/CRPs, self-employment, contract farming, bullock cart hir-

ing, renting a house, maintenance of TV & Cable Dish, coin telephone booth and priesthood. A significant percentage of occupational mobility of households is the outcome of skills improvement trainings which Myrada/CMRCs provided the SAG members & their household members and the large amount of timely credit at low interest rate from groups for any purpose decided by the group.

Table-7.5: Economic Activities of SAG member Households

S.No.	Activity	Before	%	Now	%
1	Agriculture	87	72.5	103	85.8
2	Contract farming	1	0.8	4	3.3
3	Horti/seri/floriculture	3	2.5	14	11.7
4	Labour	39	32.5	39	32.5
5	Milk animals	7	5.8	55	45.8
6	Goat/sheep	3	2.5	15	12.5
7	Business	12	10.0	32	26.7
8	Job	6	5.0	25	20.8
9	Tailoring	3	2.5	14	11.7
10	Hotel	3	2.5	7	5.8
11	Beedi rolling	3	2.5	5	4.2
12	Weaving	1	0.8	8	6.7
13	Carpentry	2	1.7	1	0.8
14	Driver	1	0.8	14	11.7
15	Auto/taxi/tractor	1	0.8	8	6.7
16	Brick making	1	0.8	2	1.7
17	Masonry	1	0.8	5	4.2
18	NTFP	1	0.8	2	1.7
19	Flower-garlands	1	0.8	2	1.7
20	Book Writer/CRP	-	-	9	7.5
21	Self Employment	-	-	5	4.2
22	Bullock-cart	-	-	4	3.3
23	Cable TV	-	-	3	2.5
24	Telephone coin box	-	-	2	1.7
25	Priest hood	-	-	1	0.8
26	Old age pension	-	-	5	4.2
27	House Rent	-	-	4	3.3

Benefits to household members: The sample SAG members have reported that their household members benefited through SAGs in multiple ways such as: i) more employment, ii) new employment, iii) higher education, iv) improvement in health status, v) improvement in livestock, vi) ability to conduct life-cycle ceremonies, vii) ability to conduct children’s and grand children’s marriages. The data shows that not only the SAG members, but also the other household members such as husband, children, parents / -in-laws, grand parents and grand children benefited from SAGs.

The data in Table 7.6 shows that of all the household members, many SAG members (47.5%) and their husbands (45%) benefited from employment. Further, many SAG members (32.5%) and their husbands (23.3%) benefited with new employment. Besides, many SAG members (32.5%) and their husbands (22.5%) benefited with livestock improvement. Of all the children who have benefited, the majority benefited through higher education (54.2%). The amount of benefits reported by parents/-in-laws, grand parents and grand children are minimal. The benefits are mostly for spouse and children. The present generation i.e. the SAG member and her husband mainly benefited with more & new employment. It could be the reason why support from husbands for women participating in SAG activities has grown.

Table-7.6: SAGs and Benefits to Household Members						
Benefits	OWR- Categories					
	SAG mem.	Hus-band	Chil-dren	Parents in-laws	Grand parents	Grand children
1. More employment	47.5	45.0	13.3	1.7	0.8	-
2. New employment	32.5	23.3	16.7	2.5	-	0.8
3. Higher education	1.7	3.3	54.2	-	-	1.7
4. Health	13.3	10.8	9.2	3.3	0.8	0.8
5. Livestock	32.5	22.5	4.2	0.8	-	-
6. Life-cycle ceremonies	6.7	3.3	3.3	-	0.8	-
7. Marriage	-	-	30.8	-	-	0.8

7.1.4 Asset creation

The sample members during their association with SAGs have procured a variety of assets such as livestock, land, machinery, automobiles, household gadgets, house, audio & video equipment, ornaments; they have also increased savings in Banks. All the sample SAG members created assets worth Rs. 17,951,920 with an average of Rs. 149,599. (Annexure 4 – Details of Asset creation).

Productive assets: Nearly half of SAG member households purchased milch animals (49.2%) followed by sheep/goats (11.6%), poultry and pigs. All together, livestock worth Rs. 2,697,500 was purchased. Nearly 17% of members have purchased land valued at Rs. 4,293,000. Nearly 20% of households purchased equipment related to agriculture and other activities such as electric motors/bore well motors; 13.3%, purchased bullocks; 4.2% purchased a cart and 1.7% tool kits; the total cost was Rs. 1,285,750. About 15% of households purchased motor cycles, taxi, autos and cycles valued at Rs. 1,529,400.

Household articles: Many households have purchased one or two household gadgets such as LPG gas stove (25%), furniture (19%), mixer (13.3%), iron safe/ almarah (12.5%), sewing machines (10%), fans (4.2%) and refrigerator (1%). More than one-third of members have purchased televisions (30%) & dish antennas (5.8%) other purchases were mobile phones (14.2%) radio/tape recorder (3.3%) and video players (1.7%). The total value of these assets is Rs. 519,550.

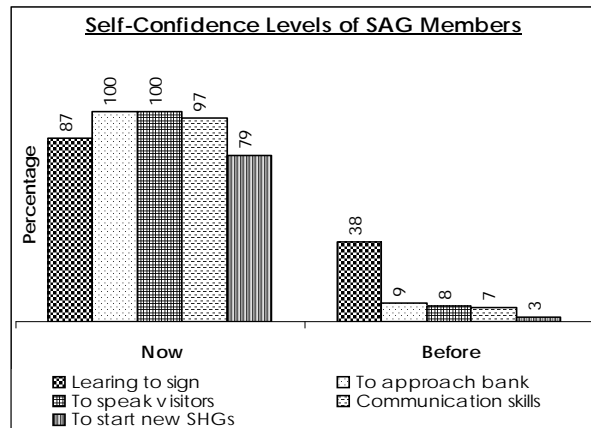
Permanent assets: Nearly 50% of the households have improved their housing. Some have built new houses (23.3%); others have purchased house plots (14.2%); some have repaired houses (10%); and some extended their old house (2.5%). The total worth of assets built under housing is Rs. 5,757,300. Nearly 23.3% of the households purchased gold worth Rs. 799,000. Those households who moved from borderline to self-sufficiency to surplus categories have purchased gold ornaments. Nearly 10% of the households have reported that they have savings outside SAGs, both in formal and informal institutions; 5.8% of the households saved Rs. 71,160 in the Post office; another 5% of the households saved Rs. 144,170 in Banks and few households have lent Rs. 50,000 to their friends and relatives. When compared with other kind of assets created, the amount of savings in formal financial institutions is lower.

7.2 WOMEN'S EMPOWERMENT

7.2.1 Self confidence

To assess the self-confidence levels of SAG members, the study team collected information on those actions that indicate confidence levels of a person such as : i) ability to sign; ii) confidence to approach bank and to speak to others; iii) improvement in communication skills; iv) awareness of rights and procedures and v) confidence to start new SAGs.

The data shows that of the total 120 SAG members, the percentage of women who can sign has increased from 38.3% at the time of group formation to 86.7% now. While Myrada provided training to help them to sign, the practice of using a cheque book to operate bank transactions helped them to continue. Of the total 120 SAG members, only 9.2% had confidence to approach the bank at the time of joining the groups. Now it has reached 100%.



The practice of presiding over weekly meetings and responsibility to deposit the collected cash in the bank on a rotation basis over 9 to 12 years, has increased their confidence levels to approach the bank. Of the total 120 SAG members, at the time of joining the groups, a low percentage of members (7.5%) had confidence to speak to others because of lack of confidence and skills to hold a conversation, inhibitions about educated visitors, shyness and lack of exposure. Now, all the members have the confidence and ability to face visitors because of greater participation of members in the discussions and decisions during group and Federation meetings, trainings and exposure visits.

Of the 120 sample members, at the time of joining the groups, only 7.5% had the ability to deal with officials and others. Now, it has gone up to 96.7%. It is because of the internal systems such as rotation of Chairperson at weekly meetings, sharing of information as group representative in federation meetings, participation in discussions during federation meetings and in the group meetings. Visits to Banks have increased their communication skills.

Of the total 120 SAG members, at the time of formation of groups, only 2.5% had confidence to start new SAGs and that too because of motivation from Myrada staff. Now, it has reached 79.2% of SAGs. It is because of regular trainings, orientation, exposures to members on SAG concepts, the realization that SAGs have given them several benefits which others also can have and because they realize that SAGs give the poor a status in society and increase their numbers to lobby for their rights. The data also confirms that of the total 60 sample SAGs, 46.7% promoted 70 SAGs in the villages studied.

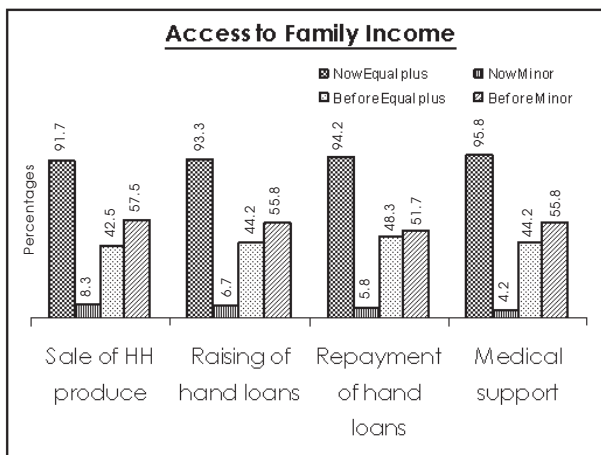
7.2.2 Family support

To assess the support that the family members provide to SAG members to : i) attend SAG meetings, ii) pay savings, iii) repay loan installment and iv) attend SAG work outside the village, the study team collected data with the help of a three point scale : i) do family members place hurdles? ii) are they indifferent? or iii) cooperative? Of the 120 sample SAG members, at the time of joining the groups, 50% of member faced problems with their household members. Whereas now, every household member extends support to SAG members to attend SAG meetings, pay savings to group, repay loan installments and attend SAG work outside village. This could be because all the household members benefited one way or the other. As the household members realized the benefits from SAGs, they could be extending support to SAG members in various forms to optimize these benefits.

Period	Support	To attend meetings	To pay savings	To repay loan instal.	SAG work outside village
Now	Cooperative	100.0	100.0	100.0	97.5
	Indifferent	-	-	-	2.5
Before	Cooperative	46.7	49.2	50.8	49.2
	Indifferent	39.2	41.7	39.2	39.2
	Put hurdles	14.2	9.2	10.0	11.7

7.2.3 Access to family income

To understand how far the SAG members access family income, data was collected on ‘sale of household produce’, ‘raising of hand loans’, ‘repayment of hand loans’ and ‘need based medical support’; the analysis was done with the help of the four point scale: i) was/is their role minor ii) equal iii) major or iv) do they have total control over family income. The data shows that, at the time of joining the groups, the majority of SAG members (57.5%) played a **minor** role in the sale of household produce, in raising hand loans (55.8%) from relatives, friends, co-members etc., iii) in repayment of hand loans (51.7%) and in getting need based medical support (55.8%).



Now, however, the majority of the members have **equal** role followed by **full** and **major** roles. It reveals that access to family income has increased from minor to equal and total access.

Access to food: The study team collected information on food, health and education to understand how far SAG women access these basic needs. The data on access to food shows that at the time of joining groups, 56.7% of members had access to three meals a day. Now, 98.3% of the members have access to three meals a day. Now, the percentage of households having food for all their household members is high (95%) compared to the percentage of households at the time of joining the groups (50%). Of the total 120 members, at the time of joining the group, 29% of the members had access to watching TV or listening to the Radio. Now, 87.5% of the members have access to watch TV. The data on the average income of the households (Rs. 92,599) and the objective wealth ranking of the sample member households, which shows that 52% are in self sufficient and surplus categories, confirms the same.

7.2.4 Control on resources/assets

To understand the control of SAG member’s over household resources/assets, data was collected on ‘use of earnings from income generating activity’, ‘use of SAG loans’, ‘personal savings’ and ‘sale/mortgage of jewels’ with the help of a four point scale; i)

Table-7.8: Control on Household Resources/ Assets (in %)					
Period	Control	Use of earnings of IGA	Use of SAG loan	Personal savings	Sale of jeweler
Now	Total	8.3	9.2	11.7	4.2
	Major	19.2	24.2	25.0	10.0
	Equal	66.7	60.8	59.2	67.5
	Minor	5.8	5.8	4.2	18.3
Before	Total	3.3	3.3	3.3	1.7
	Major	9.2	8.3	10.0	6.7
	Equal	23.3	23.3	22.5	24.2
	Minor	64.2	65.0	64.2	67.5

It emerges that since women have spent several years mobilizing credit for income generation activities from the group and have also taken the responsibility of repaying the loan to the group, they tend to have more control on the use of earnings of IGA and personal savings.

7.2.5 Mobility

The study team collected data regarding whether members go alone or take the help of family or the group members to visit shops outside the village, the PHC/hospital, to do SAG work outside the village, to visit banks and Govt. offices at block level; this helped to assess the growth in self confidence and negotiating skills.

Of the 120 sample members, the majority of members (83.3%) before joining the groups visited shops outside the village only along with family members or with others. Now however, the majority of members (74.2%) go alone to the shops outside the village. Further, the dependency on family/group members and others to attend works

outside the village has also decreased. Before joining the group, majority members (86.7%) visited the PHC with the support of family members and/or others. Where as, now, majority members (81.7%) go alone to PHC, However, if they are really sick, they depend on family members.

Table-7.9: Mobility -Change at Individual Level (in %)						
Period	Control	Outside the village				
		Shops	Hospital	SAG work	Bank	Govt. Off.
Now	Go alone	74.2	81.7	87.5	91.7	63.3
	With HH mem.	23.3	18.3	2.5	2.5	16.7
	With others	2.5	--	10.0	5.8	20.0
Before	Go alone	16.7	13.3	15.8	9.2	5.0
	With HH mem.	47.5	55.8	34.2	28.3	56.7
	With others	35.8	30.8	50.0	62.5	38.3

The data shows that of the 120 sample SAG members, at the beginning of the group, the majority have taken the help of family or group members. Now, most members (87.5%) go alone for SAG work outside the village and to the bank. Of the 120 sample SAG members, the percentage of members dependent on family members and others to attend government offices has decreased from 95% to 63.3%.

The data also reveals that to attend Govt. offices at block level, members' dependency on family members and /or others is high when compared to visiting shops, PHC for SAG work and banks outside the village. It could be because of lower exposure of SAG members to Govt. offices when compared to others. The other reason could be as the CMRCs play a greater role than SAGs in managing affairs with the government, the SAGs have less exposure to government offices.

7.2.6 Role in decision-making

To understand who decides in the household, data was collected on 'purchase and/or sale of household assets', 'family savings', 'children's education & marriage', 'occupational change', 'casting of vote', 'purpose of loan' and 'adoption of household infrastructure' by using a four point scale : i) SAG member plays a minor role; ii) equal; iii) major or iv) decides on her own. This is with reference to other members in the

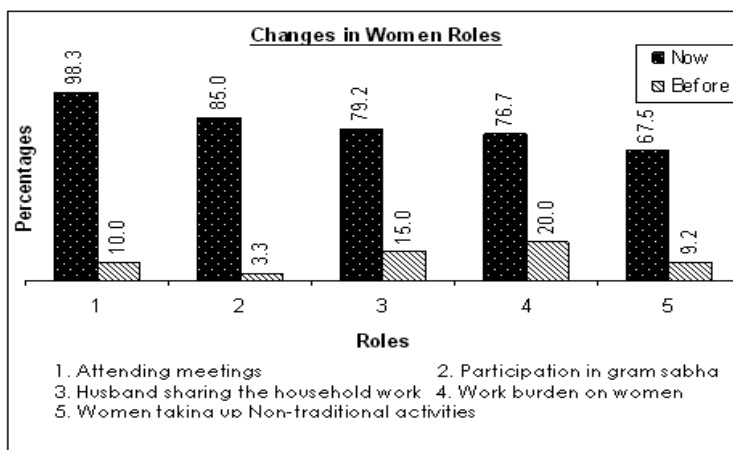
household like the husband, parents-in-law, married sons etc. Table 7.10 shows that of the 120 sample members, at the time of joining the group, majority members have minor role followed by equal role while taking decisions on purchase of assets, family savings, children's education and marriage, occupational change, purpose of loan and selection of household infrastructure. Now, the majority of members have equal role followed by major role in decision-making. It reveals that women's role in household decisions has increased. However, data on 'casting of vote' now, shows that though many members are playing equal role (45%), a significant number of members play a major role (9.2%) and decide on their own (32.5%). This could be because of leadership rotation and democratic form of decision making in the group and secret ballot system in the elections.

Table-7.10: Role in Decision Making at the Household (in %)									
Period	Opinion	Purchase/ sale of assets	Family savings	Children's education	Children's marriage	Occupational change	Costing of own vote	Purpose of loan	Adoption of HH infrastructure
Now	Total	10.8	15.8	9.2	8.3	9.2	32.5	15.0	10.0
	Major	6.7	9.2	14.2	13.3	12.5	9.2	11.7	7.5
	Equal	79.2	70.0	71.7	74.2	70.0	45.0	68.3	78.3
	Minor	3.3	5.0	5.0	4.2	8.3	13.3	5.0	4.2
Before	Total	5.8	6.7	6.7	6.7	5.8	15.8	5.8	5.8
	Major	5.0	4.2	7.5	9.2	6.7	4.2	2.5	2.5
	Equal	27.5	24.2	25.8	25.0	24.2	20.8	29.2	35.0
	Minor	61.7	65.0	60.0	59.2	63.3	59.2	62.5	56.7

7.2.7 Changes in women roles

To assess whether there were changes in the roles of men and women, the study team collected information on some of the roles performed by men and women such as 'attending meetings', 'participation in village meetings' (gram sabha), 'non-domestic roles', 'work burden on women', 'husband sharing the household work' and 'women taking up non-traditional activities'.

Of the 120 sample SAG members, at the time of joining groups, 10% of SAG members attended meetings outside the village. Now, the percentage of women attending meetings outside the village has reached 98.3%. Representation of SAG mem-



bers in various apex community based organizations and linkages with various formal institutions have helped them to gain confidence. The data on participation in the Gram Sabha shows that at the time of joining groups, 3.3% of sample members participated in Gram Sabhas. Now, it has reached 85%. Their involvement in addressing community issues such as drinking water, electricity, cleaning of roads & drainage canals in the village gave them the opportunity and credibility to participate in Gram Sabhas. As mentioned under community support to SAGs, the Gram Panchayats also involve SAGs in some of the issues at village level and in the implementation of development programmes linked with SAGs.

The rural communities have the impression that 'if the husband shares the household work of a woman, it lowers the status of a man'. Hence, many men are unwilling to share women's work even though they have time to do it. Of the total 120 SAG members, at the time of joining groups, 20% of members' husbands shared their household work. Now, 76.7% of women's husbands share the household work. The members have reported that the major reason for this is that they have taken the responsibility of mobilizing a large amount of credit for household needs, which is the primary responsibility of husband/ household head; to mobilize credit they have to attend SAG meetings. In the absence of the wife, the husband attends household works which cannot be postponed and/or causes loss/problems such as collection of water from the tap, feeding milk animals, collection of milk and supply to the milk centre, cooking of food, taking care of children, sending them to school and so on.

Of the 120 sample SAG members, at the time of joining groups, 15% have reported that they had a high work burden. Now, 79.2% of the members have reported a higher

work burden. It could be because in addition to traditional roles, women acquired new activities as well as new roles as members in the group. Therefore, majority members (79.2%) felt that there is a higher work load on them. The data shows that at the time of joining groups, 9.2% of the members were engaged in non-traditional activities. Now, 67.5% of the members have taken up non-traditional activities.¹¹

7.2.8 Gender

Gender disparity is one of the indicators to assess the empowerment of women. To assess it, information was collected on ‘school education of male and female children’, ‘mixing of women with men & other castes’ and ‘sitting etiquette for men and women’.

Of the total 120 SAG members, at the time of joining SAGs, 33.3% sent both boys and girls to the same school. Now, it has reached 80%. It is because of more training on gender equality at group and federation levels. The data on social agenda of group meetings also confirms that the groups discuss repeatedly on legal awareness and gender issues. At the time of joining the groups, 25% of members reported that they mix freely with other caste members in the group. Now, it has reached 96.7%. It is because the group norms and the procedures provide similar opportunities for all castes to become members. However, it must be noted that the majority of sample members belong to OC and BC categories; between these castes, reservations to mix are lower when compared to other social categories. This is another reason for lower caste disparities among group members.

At the time of joining groups, 13% of members had the freedom to interact freely with men. Now, it has reached 99.2%. Even the data on the dynamics at community level confirms that at the beginning of the groups, men passed negative comments against women. Now, on the contrary, there are compliments & encouragement; doubts/misunderstanding have been replaced with support and trust.

7.2.9 SAGs and political parties

To understand the participation of SAG members in various activities of political parties, including election campaigning, data was collected on ‘whether the members have contested for political office or not’, ‘representation of SAG members in village organizations’, ‘whether they campaigned for a candidate’, and ‘the level of interaction in village meetings’.

¹¹ The data on economic activities of the household also confirms that there is occupational mobility from traditional activities to non-traditional activities such as petty business, seasonal business and non-farm economic activities.

Table 7.11 shows that of the total 120 members, the percentage of women who contested for political office is 12.5%. Further, majority members (8.3% out of 12.5%) decided to contest on their own rather than due to others' pressure. Of the total 120 SAG members, before joining the group, 14.2% members joined village institutions on their own will or due to family/group pressure. Now, it has reached 35.8% and most of them decided on their own.

Table-7.11: Participation in Political Activities						
Period	Opinion	Contested to political office	Selected as member of CBO	Campaigned for a candidate	Campaigns against injustice	Interact freely in village meetings
Now	Not participated	87.5	64.2	69.2	45.8	22.5
	With own will	8.3	27.5	20.8	23.3	60.8
	Family/group interest	4.2	8.3	9.2	29.2	14.2
	Other's pressure	--	--	0.8	1.7	2.5
Before	Not participated	94.2	85.8	85.8	81.7	65.0
	With own will		4.2	3.3	3.3	10.8
	Family/group interest	0.8	3.3	5.8	7.5	9.2
	Other's pressure	5.0	6.7	5.0	7.5	15.0

The data shows that of the total 120 members, the percentage of members who campaigned for a candidate on their own will or due to family interest or some others' pressure has increased from 14.1% to 30.8% compared to before joining the group. At the time of joining the group, 18.3% of members campaigned against injustice. Now, it has reached 54.2%. This could be due to trainings on legal awareness and gender issues by Myrada. Before joining the group, majority members (65%) have not interacted freely in the village meeting. Now, majority members (77.5%) interact freely in the village meetings. There is a noticeable increase of SAG members' participation in political activities. This could be due to leadership skills acquired in the group, reservation policy, increased political interest of the household members and respect for SAGs as vote banks by the politicians.

7.3 CONCLUSIONS

The groups have perceived significant changes at group level related to financial and functional aspects. Those changes include small to large volume of credit to members, large group common fund, more respect from bank officials, reduction of quarrels & dropouts, increase in linkages with many organizations outside the village, less dependency on promoters and adherence to group norms and respect for members as models for others.

The changes in relations between SAGs and local self-government bodies, educational institutions, religious organizations, and community at large within the village indicate that there is now a relationship of mutual respect between them unlike before. These relations have strengthened now compared to at the time of joining the groups. The dependency on traditional financial credit sources has decreased and debt bondage has ceased. Political parties realize that the groups are major vote banks.

With reference to economic status of the SAG member households, significant upward mobility has been recorded. The benefits to household members are many and across generations. Most of the households have adopted larger/more economic activities than before joining the group. Within the household, the parental generation moved towards agriculture & allied activities, whereas children moved mostly towards non-farm activities and education. The SAG members' household created a good amount of productive assets followed by household articles and permanent assets.

There is significant increase in the confidence levels of SAG women with reference to their abilities to sign, speak to visitors, approach the bank, in communication skills and confidence to deal with the mainstream and to start new SAGs. The benefits across generations within the family motivated the household members to extend their support fully to SAG women even though they were indifferent and even put hurdles at the beginning of the group. Women's roles have changed from minor roles to equal followed by major roles with regard to access to food, household income, and control over household resources/assets.

With regard to mobility outside the village, especially to attend SAG meetings as well as personal work, SAG women have moved from dependency on others to go independently. As regards the role of women in making household decisions, majority of the SAG women's role has increased to equal role followed by major role while it was minor to equal role before joining the group. There are many changes in the traditional roles of women. However, the amount of change is limited especially with regard to intervention to reduce domestic violence and participation in political affairs.

Chapter 8

Summary and Conclusions

8.1 OBJECTIVES:

The objectives of the present study are : i) to assess the quality of SAGs and the practices and processes that are working well to promote empowerment process and livelihood strategies; ii) to analyse the financial performance of the SAGs; iii) to analyse the loan utilization pattern and repayment practices; iv) to understand the impact of the SAGs relations and linkages with financial institutions (banks/MFI etc), Government and resource agencies; v) to assess the impact on livelihoods and empowerment; vi) to assess equity within the group, management skills, assertiveness and gender roles and perceptions-within the family and in the community; vii) to identify the perceptions community/family members have of the SAGs and the impact and viii) to understand the role of the staff of Myrada and Community Managed Resource Centre with regard to SAGs.

The study covered a sample of 60 SAGs and 120 SAG members of 3 districts in 2 states. The fieldwork was conducted from 17th-24th May 2009 in Myrada-Chitradurga project in Chitradurga district of Karnataka, from 28th May to 3rd June 2009 in Myrada-Kadiri project in Anantapur district of Andhra Pradesh and from 8th-16th June 2009 in Myrada-Kollegal project in Chamarajnagar district of Karnataka.

8.2 PROFILE OF SAGS & THEIR MEMBERS

Myrada has motivated and mobilized the poor to self select the members and to form into groups through various capacity building processes. Besides Myrada, the Depts. of Rural Development and Women & Child Development also promoted self-help groups under various programmes. The old SAGs promoted by Myrada demonstrated the advantages of being truly participative groups and became models for the poor women to form groups. Most of the members joined groups in order to avail credit on easy lending norms unlike traditional credit sources, in order to meet household credit needs, social obligations and to take up income generation activities. While selecting members, groups have followed certain criteria to include or exclude some of the members

into or from the group for its sustainability. These criteria include affinity (relations of trust and mutual support) which could be based on caste, kinship, friendship, locality, occupation, working relationships, etc; but all members were poor.

Of the 60 sample SAGs, nearly half of the groups (47%) are categorized (due to majority membership) as OC followed by BC (22%), 'Mixed' (15%), ST (5%), SC (7%) and Minorities (5%). The age of the sample groups varies from 8 to 20 years with an average age of 10 years. The group size varies from 8 to 20 members with an average of 15. The average group size is lower in Anantapur (12) compared to Chitradurga (15) and Chamarajnagar (17).

Of the 60 sample SAGs, except 3 SAGs, all groups have reported drop-outs. Number of dropouts in a group varies from 1 to 15 members with an average of 5. Of the total 95% of the SAGs having dropouts, 28.8% of SAGs replaced dropouts with 58 new members, while 17.5 % replaced 20 dropouts with a household member of the drop-out. Groups have reported multiple reasons for dropouts such as migration, multiple memberships, attitude of household members, age, marriage, health, group norms and procedures, government programmes, caste and the small size of loan especially in the beginning.

- 8.2.3 Of the total 871 SAG members in 60 sample SAGs, the majority (51%) belong to OCs followed by BCs (24%); more than two-thirds are illiterate (70%); little over three quarters (76%) are married and the other one quarter consists of widowed (18%), unmarried (4%) and separated (3%) who are all vulnerable.

Landholdings & household income: 85 percent of the sample members have a piece of land whether dry or wet or both. The total annual household income of SAG members is Rs. 1,11,11,910 with an average of Rs. 92,599. Little more than half (50.9%) of the households have an income over Rs. 75,000 per annum. The average household income of the borderline Rs. 68,327 and poor Rs. 67,061 is lower than self-sufficient (Rs. 103,762) and surplus (Rs.136,857) categories. The average annual income of the poor and borderline families seems to be almost the same.

8.3 QUALITY OF SAGS

There are two types of savings- i) compulsory and ii) voluntary. Of the total 60 SAGs, 50% of the groups have both compulsory and voluntary savings and the other 50% have only compulsory savings. The minimum savings amount is between Rs. 5 to 50 with an average of Rs. 19 per week. Of the 60 sample SAGs, 72% of groups have changed their minimum savings amount between 1 to 5 times. Of the total 60 SAGs, 57% of

groups distributed a portion of group fund and/or savings to their members one to three times.

Weekly meetings are common at present, though few groups had fortnightly and monthly meetings at the beginning. All SAGs, except two, have conducted all the meetings as per schedule between January and March 2009. 50% of SAGs have 80% of average attendance in their meetings.

During the meetings in the last 3 months, groups had non financial agenda items, related to information to be provided between the group and the CMRC (50%), grading of groups (33.3%), leadership (11.67%), defaulters (10%), quality of book keeping (10%), agenda for general body meeting of federation (3.33%), legal awareness issues (53.33%), skill improvement trainings (30%), income generation/ livelihood activities (8.33%), development programmes (30%) and health (18.33%).

More than half of the groups (51.67%) have engaged paid book-writers to maintain their books of accounts; in the remaining SAGs, the books are written by a member. All SAGs possess 'minutes book', 'member pass book', 'savings ledger', 'loan ledger' and 'general ledger'. However, 3.33% and 21.67% of groups do not possess 'cash book' and 'receipts & payments book' respectively. Nearly 90% of groups have up-to-date records; about 40% have over writings in records; about 85% groups maintain complete information in their records.

The practice of selecting a Chairperson for every meeting played a major role while identifying 'Representatives' of the group who manage the group's affairs; this was followed by communication skills, ability to sign, and the consent of majority group members. Of the 60 sample SAGs, except three, all groups have changed their Representatives between 1 and 15 times with an average of 6. More than 50% of groups completed one round of rotation of 'Representatives' with all the eligible members in their groups having got a chance to be SAG 'Representatives'. However, more than one-fifth of sample groups reported that more than eight members have not been selected as Representatives even once in their groups as they did not have the required qualities. 24 out of 871 SAG members contested as ward members or Sarpanch of their Gram Panchayats; of these, 17 won the elections.

The practice of Chairpersons and Representatives on rotation, visits to attend Federation and CMRC meetings, to the bank and for other SAG works outside the village has provided opportunities for all members in the group to gain in confidence and in leadership skills; the selection criteria excluded from representative positions certain members, because of old age and illiteracy.

8.4 FINANCIAL PERFORMANCE

The majority (69%) of the Myrada promoted SAGs have been able to access grants to build their group fund. The SAGs have received cumulatively a grant of Rs. 12,02,012. Of the total 67% of SAGs which received grants, 45% received grants only from one source followed by two (15%) and three (7%) sources.

Myrada's significant emphasis on the SAG – Bank linkage program which provides loans has greatly benefited the groups and has resulted in a sustainable relationship between SAGs and Banks.

Of the total external credit of Rs. 10,78,3475, Banks have provided 82.64%, followed by VOs (7.5%), Myrada (6.60%) and Sanghamithra (3.26%), Sanghamithra provides credit only if there is no bank linkage or it is problematic. Myrada extends small loans for consumption purposes and village organizations extend small loans in the form of bridge loans to take up income generation activities. The average volume of Bank loans is more than double of Sanghamithra, more than thrice the size given by village organizations and six times the size of Myrada loans.

There is a positive relationship between the cumulative savings of a member and loan size. The 'loan term' varies from 3 to 60 months depending on loan volume and purpose. Majority of the groups charge 18% interest per annum. Though the groups have a norm of repayment of both principle and interest every month, there is flexibility in practice. There is no practice of physical collateral. If the loan is more than Rs. 5,000 then the group demands a promissory note on stamp paper of Rs. 10 from the loan borrower and her husband.

All the 120 sample SAG members, since the inception of the groups, have borrowed a total of Rs. 2,330 loans with an average of 20. However, 28.3% of members have borrowed less than 10 loans. Average number of loans to very poor (9) and poor (12) are low compared to borderline (20) self-sufficient (22) and surplus (19) categories. All the 120 SAG members have borrowed a cumulative loan of Rs. 1,28,57,166 with an average loan of Rs. 107,143. Majority of the members (57.6%) borrowed less than a lakh and the remaining (42.24%) have borrowed more than a lakh.

Of the total 2,330 loans of 120 SAG members, the majority of loans is for production/income generation (62.61%), followed by consumption (17.56%), social needs (12.58%) and asset creation (7.25%). Of the total loan amount of Rs. 1,28,57,422, a major portion (71.79%) is for production/income generation activities followed by social needs (14.05%), asset creation (10.43%) and consumption needs (3.74%). In all loan

cycles, there is no significant difference of percentage of loans for consumption needs. However, after 30 loans, most of the loans were for production (80.3%) and very few for social needs and asset creation. Further, there is not much difference in the percentage of loans borrowed for consumption purposes during the initial years of the group and during the past one/two years.

Of the total 120 sample SAG members, majority members (60.84%) used the loan for one purpose followed by two (23.33%) and more than two (15.83%). Of the total loan amount of Rs. 39,28,734 taken by 120 members, 22.61% is for agriculture inputs, 15.80% for the purchase of milk animals, 15.8% for business, 12.43% for housing, 7.96% for motor vehicles; and the remaining 26.4% for health, education, to repay high cost loans, to buy ornaments, household articles and other consumption needs such as food and clothing. Many members have repaid their loan installments from multiple sources of household income. A few depended on external agencies to repay loan installments.

On an average, there is a low on-time repayment rate (52.2%) from members to SAGs compared to the repayment rate from SAGs to external agencies (76.81%). Among all the external credit agencies, the repayment rate from groups is high to the bank (80.11%) compared to VO (67.4%) and Sanghamithra (44.65%). The average portfolio at risk > 3 months is high at member to group level (56.98%) compared to at group to external agencies (31.2%). Among all the four external agencies, the average PAR > 3 months is high in Sanghamithra (66.67%) compared to VO (68.60%) and bank (34.04%).

The data shows that almost half (46.67%) of the groups have reported lack of work, migration, ill health of one of the household member (s) and death of household head as the reasons for genuine default or delayed loan repayment. Further, some SAGs (8%) also reported promises of political parties to waive SAG loans and misuse of funds by the representatives as reasons for willful default. Nearly half of the groups have reported that delayed repayment is due to diversification of the loan installment amount to other pressing consumption and social needs.

The repayment rate and PAR > 3 months reveal that there is less risk to funds of external agencies than to group and member funds. The flexible lending norms of groups focus more on monthly repayment of interest than on principal. This is one of the reasons for low repayment rate from members to groups. Flexibility at member level could be because of groups' confidence that members will repay and due to their effective default recovery mechanisms.

8.5 SOCIAL PERFORMANCE:

The SAGs have given importance not only to financial matters, but have focused also on social issues while fixing the meeting agenda. Of the 60 sample SAGs, 20% have been involved in cleaning drains in their habitations; 33% cleaned roads and 8.33% water tanks in their villages. Nearly one-fifth of SAGs made donations to support the victims of Tsunami-cyclone, sufferers of earthquake in the State of Gujarat and to support the Kargil War. Nearly one-fifth of SAGs made donations for poor girls' marriages, 20% organized mass marriages, 8.33% supported orphan children, 11.67% victims of the chronic diseases/ ill-health and 15% supported the physically disabled. Further, a significant number of SAGs addressed social issues such as anti-arrack movement (33.33%) and dowry (20%).

Many SAGs supported educational institutions to improve their infrastructure facilities/ furniture, to construct the compound wall, to white wash the school; they also supplied cooking vessels, plates and glasses; they negotiated with educational authorities to place qualified and committed teachers in their villages and supported the mid-day meal program.

Nearly half of SAGs, have promoted over 70 new SAGs. Ten out of 60 SAGs, have revived 23 defunct groups by sorting out the issues primarily related to recovery of loans and misuse of funds.

Of the total 871 members of 60 sample SAGs, 25.7% benefited with installed cookers, 11.5% got water filters, 10.6% smokeless chullas and 8.3% grain storage bins. Further, many members constructed bathrooms/toilets (28.1%), new houses/ extension of house (4.1%), cattle sheds (2.8%) and rainwater harvesting systems. The household members of SAG members have undergone skills improvement training in tailoring, SAG auditing, driving, computer training, nursing and spoken English.

CMRCs, at the beginning, mainly focused on : i) formation and strengthening of groups; ii) training on the sustainability of groups; iii) bank linkages and iv) health related programmes. Now, CMRCs primary focus is on: i) skills development trainings; ii) mobilization of programmes such as toilet, housing and job opportunities; iii) training on sustainability; iv) information sharing on various development programmes. The staff informed the team that keeping in mind the needs of the members, in future, CMRC would like to focus more on linkages with government programmes and off farm skill based training programmes to enhance livelihood options.

8.6 IMPACT

The groups have experienced significant changes at group level related to financial and functional aspects. These changes include a shift from small to large size of loans, a large group common fund, more respect from the bank officials, reduced number of quarrels & dropouts, linkages with many organizations outside the village, lower dependency on promoters, greater adherence to group norms and others holding them up as models to follow.

Majority of the sample SAGs said that they have received invitations from Gram Panchayats on various occasions such as : i) Gram Sabha meetings (60%); ii) Gram Panchayat meetings (66.67%) and iii) for national festival celebrations (63.33%). Further, groups were also invited to national festivals organized in the school. Reciprocal relations benefited both parties. Majority SAGs said that the money lenders have reduced interest rates from Rs. 5/4 to Rs. 3/2. Some SAGs participated in organizing fairs & festivals at village level on the request of the organizers and/or religious institutional heads. Nearly 44% of SAGs hosted officials' visits to their villages. Men were motivated by the women SAGs and they too formed men Self Help Groups. Political parties realized that the groups are vote banks and courted them.

The impact of SAG membership contributed significantly to poverty reduction. Majority members belong to self-sufficient (35%) and surplus (17.5%) categories followed by borderline (35.8%) poor (10.8%) and very poor (0.8%) categories compared to a high percentage of poor and very poor at the time of joining the groups. Of the total 120 SAG members, 94% moved to higher categories, 5% remained in the same category and one member moved down from surplus to very poor category.

At the time of joining the groups, the majority of households depended on one economic activity (58.3%) followed by two (36.7%). Now, the majority of households (76.7%) depend on multiple (3 to 6) economic activities, followed by two (20%) and one (3.3%). At the time of joining the groups, agriculture was one of the main economic activities of majority of households (72.5%). Now, it has increased to 85.8%. It could be because of watershed managements practices which reduced the risk of dry land farming and increased income which was invested in land. 16.7% members have purchased land valued at Rs.4.2 million; land is also taken on lease for farming. At the time of joining the groups, animal husbandry was one of the economic activities of 8.3% of households. Now, it has reached 58.3% of households. Interestingly, the percentage of households engaged in agricultural labour remains the same (32.5%).

The percentage of households employed in a private or a government job has increased from 5% to 20.8%. At the time of joining the groups, less than 1% of the households depended on non-farm economic activities. Now, it has reached 7%.

The benefits to members within the household are across generations and multiple. Nearly half of the SAG member households have purchased milch animals (49.2%) followed by sheep/goats, poultry and pigs (11.6%); 16.7% of members have purchased land valued at Rs. 42,93,000; nearly 20% of households purchased equipment related to agriculture and other activities; 7.5% of the households purchased motor cycles, 4.2 % purchased taxis and 3.3% auto rickshaws .

Many household have purchased one or two household gadgets such as LPG gas stove and connections (25%), furniture (19%), mixer (13.3%), iron safe/almarah (12.5%), sewing machines (10%), fans (4.2%) televisions (30%), dish antennas (5.8%), mobile phones (14.2%), radio/tape recorder (3.3%) and video players (1.7%). The total value of these assets is Rs. 519,550. Nearly 50% of the households have improved their housing; 23.3% of household have purchased gold worth Rs. 799,000. Some members have reported savings outside SAGs in the post office and with friends & relatives.

The percentage of women who can sign has increased from 38.3% to 86.7%. At the time of joining the groups, a small percentage of members (7.5%) were confident to speak to others. Whereas now all the members have the ability to interact with visitors. At the time of joining the groups, only 7.5% of members had the confidence and ability to deal with the mainstream like Bank and Government. officials. Now, it has gone up to 96.7%. At the time of formation of groups, only 2.5% had confidence to start new SAGs. Now, it has reached 79.2%.

Myrada's program support has achieved food security for the families of SAGs. At the time of joining groups, 56.7% of members were able to access three meals a day. Now, 98.3% of the members access three meals a day. At the time of joining the group, 29% of the members had access to watching TV or listening to the Radio. Now, 87.5% of the members have access to Radio and TV. At the time of joining groups, majority members had minor control followed by equal control of all the household resources and assets. Now, majority members have equal control followed by major control of all the household resources.

Of the 120 sample members, at the time of joining the group, majority members have minor role followed by equal role while taking decisions on purchase of assets, family savings, children's education and marriage, occupational change, purpose of loan and

adoption of household infrastructure. Now, majority members have equal role followed by major role in decision-making in these areas.

Of the 120 sample members, at the time of joining the groups, 10% attended meetings outside the village; now it has reached 98.3%. 3.3% of sample members participated in Gram Sabhas; now it has reached 85%. At the time of joining groups, 20% of members' husbands shared their household work; now, it is 76.7%. At the time of joining groups, 9.2% of the members engaged in non-traditional activities; now, 67.5% of the members have taken up non-traditional activities. At the time of joining the SAG, 33.3% of members sent both their son and daughter to the same school; now, it has reached 80%. At the time of joining the groups, 25% of members reported that they mix freely with other caste members in the group; now, it has reached 96.7%. At the time of joining groups, 13% of members reported that they had the freedom to interact freely with men; now, it is 99.2%. At the time of joining groups, 15% of members reported a work burden; now, 79.2% of the members have reported that there is a work burden; this needs to be addressed.

In brief, there is a high increase in the confidence levels of SAG women. There is a great change in women whose roles have changed from minor roles to equal followed by major roles with regard to access to food, household income, and control over household resources/assets. Overall the assumption made by Myrada related to the structure, functions and potential impact of SAGs has been validated.

Annexures

Annexure 1 – NABARD Letter

ECONOMIC ANALYSIS AND PUBLICATIONS DEPARTMENT

NABARD, Mumbai

R&D Fund Division

Ref.No.NB.EAPD/1434/R&D/Proj.56/97-98

24 October 1987

02 Kartika 1909(S)

Shri Aloysius P. Fernandez

Executive Director

MYRADA

Bangalore

Dear Sir,

**Sub: Request for financial support from R&D Fund of
NABARD for Credit Management Groups**

Please refer to you letter No.15-1.66/86-4 dated August 29, 1986 and the subsequent correspondence (c.f. our letter No.NB.EAPD/1074/r&d/Proj.56/87-88 dated September 24, 1987) and discussions on the above subject. We advise that our sanction of a lumpsum grant of Rs.10 lakhs to MYRADA to be used as a seed money support to the Credit Management Groups is subject to the following terms and conditions:

1. The seed money should be provided to as many Credit Management Groups as feasible at a time and depending upon the growth of individual groups, it may be rotated among different groups over a period of time.

2. The seed money provided to the Credit Management Groups may be utilised for helping the members of the groups to borrow from the formal credit system, vis. either Cooperative Societies, Regional Rural Bank or Commercial Bank branches through meeting margin money/share capital contribution requirement.
3. MYRADA should maintain separate accounts of the seed money assistance provided from the R&D Fund of NABARD and its uses.
4. Statements of audited accounts and progress reports on the overall project should be submitted to NABARD on a half-yearly basis.
5. The detailed experiences of the CMGs assisted under the project especially with reference to mobilisation of savings, lending operations reducing dependence on moneylenders, economic activities, management of funds, supported linkage with banks/cooperative societies, etc. and the lessons learnt therefore should be suitably documented by MYRADA and furnished to NABARD annually.
6. MYRADA should undertake full responsibility for receiving the grant from NABARD and for its proper utilisation. MYRADA should refund to the National Bank the balance amount of the grant, which is either not required or cannot be utilised for the project and until such refund, it should hold the amount in trust for the National Bank.
7. The grant should not be used for any capital expenditure, including construction of building, purchase of land or any other fixed asset.
8. The National Bank shall be entitled to depute one or more of its officers to the MYRADA and/or the Credit Management Groups to verify the progress of the project at any time and if necessary suggest modifications in the approach or methodology or contents of the objectives of the project, which shall be considered by the MYRADA and implemented to the extent possible without causing any loss or damage to the MYRADA or the Credit Management Groups. The National Bank shall also have the right to depute its officers to verify the books of accounts, etc. to ascertain the proper utilisation of the funds provided under the grant.
9. The National Bank shall have the exclusive right to utilise the findings or outcome of the project in such a manner as may deem fit. The MYRADA shall not utilise or publish the findings or the outcome of the project without obtaining prior approval of the National Bank in writing.

10. The amount of grant sanctioned will be released to MYRADA in convenient instalments. The first instalment not exceeding 50 per cent of the grant will be released initially and the remaining amount in one or more instalments, depending upon the receipt of progress reports from the MYRADA, indicating utilisation of the grant to the satisfaction of NABARD.

If you are agreeable to the above terms and conditions, you may confirm accordingly by returning the enclosed copy of this letter duly signed by you, to enable us to take action for releasing the amount.

Yours faithfully,

(M.R.Krishnamurthy)
Manager

Encl. As above

Endt.No.NB.EAPD/1435/R&D/Proj.56/87-88 of date

Copy forwarded for information and necessary action to the Deputy General Manager, National Bank, Indian Express Building, No.1, Queens Road, P.B.No.5324, Bangalore, in continuation to our letter Endt.No.nb.EAPD.1075/R&D/Proj.56/87-88 dated 24 September, 1987.

(J.C.Mishra)
Deputy Manager

Annexure - 2

A Study on Self Help Affinity Groups Promoted by Myrada

Format for Loan Details & Wealth Ranking

Name of the SHG: _____ Village : _____ Taluk/Mandal: _____ District _____

S. No.	Name & designation	Social category	Occupation	Total Saving	loan date	Loan. Disbursed	Loan Outstanding	Repayment frequency	No. of Instl	Purpose of loan	WR	
											Now	Before
1												
2												
3												
4												
5												
6												
7												
8												

Annexure-3: Details of SAGs' Participation in Social Activities

Details of SAGs' Participation in Social Activities							
Activity		District			Total (N=60)	% of SAGs	Nature of support
		AT	CRN	CT			
Health	Drainage	5	5	2	12	20.0	Kind
	Roads	11	6	3	20	33.3	Kind
	Water tank	2	1	2	5	8.3	Both
	Plantation/social forestry	1	2	-	3	5.0	Kind
Natural disaster	Tsunami-cyclone	6	3	2	11	18.3	Kind
	Earthquake	2	3	4	9	15.0	Kind
	Kargil war	-	-	2	2	3.3	Kind
Social capital: Education	Stationary	-	5	2	7	11.7	Cash
	Vessels	-	10	3	13	21.7	Cash
	Fee to poor children	-	5	5	10	16.7	Cash
	Prizes to merit students	-	-	1	1	1.7	Cash
	Compound Wall	2	-	4	6	10.0	Cash
	Midday meal	-	5	3	8	13.3	Kind
	Teacher	-	6	2	8	13.3	Cash
	Furniture	1	3	3	7	11.7	Cash
	Enrollment	-	4	2	6	10.0	Cash
	White washing	-	7	3	10	16.7	Both
	National festivals	2	6	2	10	16.7	Cash
Social activities & Issues	Marriage	-	1	1	2	3.3	Cash
	Health/ diseases	2	4	1	7	11.7	Cash
	Donations to Orphans	2	1	2	5	8.3	Cash
	Anti-arrack movement	1	5	14	20	33.3	Kind
	Physically disabled	1	4	4	9	15.0	Cash
	Mass marriages	-	8	2	10	16.7	Both
	Dowry	4	4	4	12	20.0	Kind
community Infrastructure & amenities	Temple	-	1	2	3	5.0	Cash
	Community hall	4	2	1	7	11.7	Cash
	Roads	2	1	2	5	8.3	Cash
	Drinking water	2	1	5	8	13.3	Kind
	Hand pump repair	1	2	1	4	6.7	Kind
	CC road	2	2	2	6	10.0	Kind
	Electricity	1	5	4	10	16.7	Kind
	Water tubs to cattle	2	10	1	13	21.7	Kind
	Dhobi ghats	1	12	2	15	25.0	Kind
	SGSY village	1	2	-	3	5.0	Kind
	Street lights	-	6	1	7	11.7	Kind
	Milk cooperative dairy	1	3	-	4	6.7	Kind
	Check-dams	1	3	2	6	10.0	Kind

Annexure-4: Details of Asset Creation

Details of Asset Creation (Amount in Rs.)					
Type of Assets			% of SAG Members	Average Value	Total Value
Productive Assets	Livestock	Milk animals	49.2	34,941	2,061,500
		Sheep	11.6	40,214	563,000
		Poultry	0.8	16,000	16,000
		Other	3.3	14,250	57,000
	Land	Land	16.7	214,650	4,293,000
	Machinery	Machines	13.3	65,359	1,045,750
		Bullock	4.2	26,000	130,000
		Bullock cart	1.7	50,000	100,000
		Tool kits	0.8	10,000	10,000
	Auto mobile / vehicles	Motor cycle	7.5	29,111	262,000
		Taxi	4.2	108,000	540,000
		Auto	3.3	75,750	303,000
		Cycle	5.8	3,486	24,400
Other		0.8	400,000	400,000	
Household Articles	HH gadgets	Gas	25.0	4,453	133,580
		Furniture	19.2	13,722	315,600
		Mixer	13.3	2,713	43,400
		Iron safe	12.5	4,893	73,400
		Sewing machines	10.0	11,517	138,200
		Vessels	10.0	6,771	81,250
		Fans	4.2	952	4,760
		Refrigerator	0.8	14,000	14,000
	Recreational/ pastimes	TV	30.0	7,444	268,000
		Mobile	14.2	4,497	76,450
		TV/Dish	5.8	18,857	132,000
		Radio/TR	3.3	8,525	34,100
	Non Productive Assets	Housing	Construction	23.3	72,336
Plot			14.2	132,582	2,253,900
Repair			10.0	58,833	706,000
Others			2.5	257,333	772,000
Ornaments		Gold	23.3	28,568	799,900
Savings		Bank	5.0	24,028	144,170
		Post Office	5.8	10,166	71,160
		Friends	0.8	5,000	5,000
		Others	1.7	22,500	45,000