

# An Evaluation of the SHG-BLP with Special Reference to its Loan Portfolio and Asset Quality



**National Institute of Rural Development and Panchayati Raj**

Ministry of Rural Development, Government of India  
Rajendranagar, Hyderabad - 500 030, Telangana State, India

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## FOREWORD

Self-Help Group-Bank Linkage Programme (SHG-BLP), a brain child of NABARD, is regarded as the largest microfinance programme in the world today. The programme has made an indelible mark on the Indian financial landscape by extending collateral-free loans to over 50 lakh SHGs to the extent of Rs.75,598 crore as on March 31, 2018.

Though the SHG-BLP was started as a ‘Zero non-performing asset (NPA) movement’, bad loans have been mounting up in the recent past due to various reasons. Against this backdrop, NABARD entrusted a research project to Centre for Financial Inclusion & Entrepreneurship (CFIE), NIRDPR on ‘An Evaluation of the SHG-BLP with special reference to its Loan Portfolio and Asset Quality’ in FY 2017-18. The primary objective of the study was to find the main reasons behind the growing level of NPAs in the SHG-BLP. The study team covered a sample of 663 individual members of SHGs from three States, namely Andhra Pradesh, Madhya Pradesh and Odisha. Besides, the team elicited responses from 58 stakeholders (namely loan officers in banks, line department officials in the sample States and office-bearers of Self Help Promoting Institutions) in order to obtain a comprehensive view on the asset quality of the SHG-BLP.

Based on the responses received from the members of the SHGs, the study found that poor economic conditions, non-cooperation/non-repayment by other members of the SHG expenses towards marriage/ceremony, medical emergency, etc., and expectation of loan waiver from the government in that order, as the main factors behind the unhealthy growth of NPAs in the three sample States.

I appreciate the valuable contribution of Dr. M. Srikanth, Associate Professor & Head, CFIE for conducting the survey and analysis of the outcomes. I also appreciate the research team of CFIE for managing the project in a professional manner. I hope the report will be received well by all stakeholders in the SHG-BLP. We welcome feedback, if any, to sharpen similar endeavours by NIRDPR in the future.

Hyderabad,  
June, 2019

**Dr. W. R. Reddy, IAS**  
Director General, NIRDPR

## PREFACE

Till late nineties, financial inclusion was elusive in India despite nationalisation of banks in two phases (in 1969 and in 1980) and other policy initiatives like priority sector lending, lead bank scheme, etc. Last mile connectivity in financial inclusion gained momentum in India when NABARD pioneered Self-Help Group-Bank Linkage Programme (SHG-BLP) in 1992. It is a home-grown self-help movement with an objective of creating sustainable livelihood opportunities for the rural poor.

Though the SHG-BLP achieved many milestones during the last 26 years, bad loans have been mounting up in the recent past due to various reasons. Gross non-performing assets (GNPAs) peaked to a record high of 7.40 per cent in the FY 2014-15 and later marginally reduced to 6.12 per cent as on March 31, 2018. The total GNPAs of the programme reached Rs. 4,628 crore in India as on March 31, 2018, which needs a course correction.

In view of the above, NABARD entrusted a research project to Centre for Financial Inclusion & Entrepreneurship (CFIE), NIRDPR on '**An Evaluation of the SHG-BLP with Special Reference to its Loan Portfolio and Asset Quality**' in FY 2017-18. The primary objective of the study was to find the main reasons behind the growing level of NPAs in the SHG-BLP. Besides, the study made an attempt to evaluate the impact of SHGs' access to credit for the income generating activities of their members and also to assess the long-term sustainability of the SHG-BLP.

The study assessed various aspects of credit linkage, income generating capacity of the SHG members, asset quality of loan portfolio of the SHG-BLP, both in quantitative and qualitative terms. Apart from covering economic indicators like income, expenses, savings, loans and investments, the study examined end uses of loans, various factors behind the growth of non-performing assets in the SHG-BLP, age profile of bad loans, credit counselling, and observance of *Pancha Sutras* (Regular weekly meetings, Regular savings, Regular internal lending, Regular repayments and Transparent books of accounts) by SHGs for their long-term sustainability. Concerted efforts were made in collection of data, collation, validation and analysis, assimilation of results to produce an insightful report for all the stakeholders.

We praise the Almighty Lord for blessing us with time, energy and wisdom to execute the project successfully. We are grateful to Dr. W. R. Reddy, IAS, Director General, NIRDPR for reposing faith in the research team of CFIE throughout the project.

We are grateful to Shri G. R. Chintala, Chief General Manager, NABARD for his constant support and encouragement for undertaking this project. We are also grateful to Shri K. V. Rao, Chief General Manager, MCID, NABARD, Ms. Prafulla T. Kurien, DGM and team for their kind support in completing this project.

We are grateful to all the members of the SHGs for their valuable responses for the study. We are thankful to officials in banks, senior officials in SERP and line departments of the State governments of Andhra Pradesh, Madhya Pradesh, and Odisha for their time and valuable inputs. We also thank all the senior officials in SIRDs for their continuous support and guidance in data collection process and other activities involved in the study from time to time.

We wish to express our sincere gratitude to Dr. Surjit Vikraman, Associate Professor, NIRDPR who contributed in developing the final schedule/questionnaire for the study. We also thank Dr. J. Jayasree, Research Associate, NIRDPR for her guidance in analysis of data. We also thank Dr. Geethanjali, Consultant, NIRDPR for her valuable support in data collection of the study. We also extend our sincere thanks to Dr. Saroj Kumar Dash, Joint Director, SIRD, Odisha for helping us to carry out the study in Odisha. We are thankful to Dr. M. Lagesh Kumar, Assistant Professor, IBS for helping us in analysing the secondary data of the study.

Last but not the least, we place on record the valuable contribution made by Dr. Ch. Praveen Kumar, Research Associate, CFIE from conceptualisation to completion of the report. I am also thankful to Shri G. U. Pillai, Consultant, Dr. K. Ramakrishna, Consultant, Smt. A. Sirisha Reddy, Training Manager, Ms. S. Navya Sridevi, Project Assistant, CFIE and all other officers/staff involved in the research study.

We appreciate your valuable feedback which will guide our future endeavours.

Hyderabad,  
June, 2019

**Dr. M. Srikanth**  
Associate Professor & Head,  
CFIE, NIRDPR

## ABBREVIATIONS

BIRD	Bankers Institute of Rural Development
BC	Banking Correspondent
BDO	Block Development Officer
BDT	Bangladeshi Taka
BRAC	Bangladesh Rural Advancement Committee
CAGR	Compound Annual Growth Rate
CFIE	Centre for Financial Inclusion & Entrepreneurship
DRDA	District Rural Development Agency
FPO	Farmers Producers Organisation
GNPA	Gross Non-Performing Assets
GSDP	Gross State Domestic Product
IRMA	Institute of Rural Management Anand
JLG	Joint Liability Group
MFI	Micro Finance Institution
MFIN	Micro Finance Institutions Network
MSEs	Micro & Small Enterprises
MYRADA	Mysore Resettlement and Development Agency
MEPMA	Mission for Elimination of Poverty in Municipal Areas
NI	Not Included
NIRDPR	National Institute of Rural Development and Panchayati Raj
NPA	Non-Performing Asset
NRLM	National Rural Livelihoods Mission
NABARD	National Bank for Agriculture and Rural Development
NGO	Non-Government Organisation
NBFC	Non-Banking Financial Companies
OLM	Odisha Livelihoods Mission
OMPLIS	Oravakal Mandal Podupu Lakshmi Ikya Sangham
RBI	Reserve Bank of India
SERP	Society for Elimination of Rural Poverty
SGSY	Swarnajayanti Gram Swarojgar Yojana
SHG	Self-Help Group
SHG-BLP	Self-Help Group-Bank Linkage Programme
SHPIs	Self-Help Group Promoting Institutions
SIDBI	Small Industries Development Bank of India
SIRD	Sate Institute of Rural Development
VA	Village Assistant

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# AN EVALUATION OF SELF-HELP GROUP BANK LINKAGE PROGRAMME IN INDIA WITH SPECIAL REFERENCE TO ITS LOAN PORTFOLIO AND ASSET QUALITY

## Executive Summary

### GENESIS

Microfinance in India is available mainly in two channels viz., *i*) Micro Finance Institution (MFI) - Bank Model *and ii*) Self-Help Group-Bank Linkage Programme (SHG-BLP). Out of these two channels, SHG-Bank Linkage Programme has been widely accepted in India primarily due to its widespread adoption by all of its stakeholders. Over the last two-and-a-half decades the SHG-BLP, a brainchild of NABARD, has successfully mobilised millions of Indians who are at the bottom of the pyramid, especially the women, to actively participate in the most popular model of financial inclusion.

Though the programme reached many milestones during its long journey in the Indian financial landscape, it accumulated bad loans of Rs. 4,628 crore as on March 31, 2018, i.e., 6.12 per cent of total outstanding loans. In light of the above background, CFIE conducted a research study to identify the reasons behind the growth of these NPAs. Besides, the study made an attempt to evaluate the impact of the SHGs' access to credit on the income generating activities of their members and also to assess the long-term sustainability of the SHG-BLP model.

### SAMPLE

We conducted the field survey in three sample States namely, Andhra Pradesh, Odisha, and Madhya Pradesh. The sample size of the survey is 663 individual SHG members (selected through multi-stage stratified random sampling procedure) from three States, six districts, and 12 blocks/villages. From these six districts (3 States \* 2 districts), a total of twelve blocks (6 districts \* 2 blocks) were chosen for conducting the field survey. On the one hand, we selected two districts randomly from each State for the sample of the study based on the level of GNPA's of the SHG-BLP as on March 31, 2018. On the other hand, we selected two districts in each State on the basis of NPA level of the SHG-BLP, i.e., the districts with higher and lower NPA levels as of May/June, 2018.

From the selected twelve blocks in six districts, one Gram Panchayat was selected (12 blocks \* 1 Gram Panchayat). From each Gram Panchayat, approximately 18 SHGs were selected (216 SHGs = 12 Gram Panchayats \* 18 SHGs) randomly. Finally, from each group, three members were interviewed; thus arrived at final random sampling unit of 663

members from various SHGs. While identifying the sample villages, those having more than 10 SHGs were selected. Besides, perceptions of 58 stakeholders, namely bankers, NGOs and respective government department officials were documented.

## **KEY FINDINGS OF THE STUDY**

### **SHGs' Access to Credit and their Income Generating Activities**

- The study found that 41 per cent of the sample population is illiterate, 34 per cent studied up to 5<sup>th</sup> standard and 20 per cent studied up to 10<sup>th</sup> standard. Only 5 per cent of the SHG members studied beyond 10<sup>th</sup> standard (Refer Table 5.6).
- Overall, 70 per cent of the sample members are associated with the SHG-BLP for more than five years in the three study States (Refer Table 6.1.1).
- A little over one-fourth of the sample population (26.2 per cent) received only one loan from the SHG-BLP. Out of total 663 respondents, only 16.8 per cent received four or more than four loans (multiple doses of credit). While 58.20 per cent of the SHG women in AP obtained three or more bank loans, nearly two-fifth of the sample in Odisha (38.5 per cent) received three or more bank loans indicating the maturity level of the groups and penetration level of SHG-BLP in these States (Refer Table 6.1.2).
- Nearly one-third (32.4 per cent) of the sample availed loans of above Rs.40,000 from the SHG-BLP. It is interesting to note that all the respondents in Andhra Pradesh availed average loan amount of above Rs. 40,000 from the banks. However, only 5.7 per cent in Madhya Pradesh and 5.4 per cent in Odisha in the sample availed average loan of above Rs. 40,000 from the banks (Refer Table 6.1.3).
- Five out of every six respondents (86.6 per cent) of the sample from the three study States reported that the services are smooth and user-friendly in respect of the SHG-BLP. While majority of the members of SHGs in Andhra Pradesh and Madhya Pradesh are happy with the services provided by the banks, one-fifth of the respondents in Odisha (19.9 per cent) expressed discontent about the financial services rendered by the banks (Refer Table 6.1.4).
- 87.3 per cent of the respondents across the three study States informed that they are able to satisfy their most basic and essential needs like *roti, kapada aur makaan* (food, clothing and shelter) after joining the SHG-BLP. While 8.5

per cent of the three sample States are not able to improve their access to food, clothing and shelter even after joining the SHG-BLP, approximately one-fifth of the respondents in Odisha (19.1 per cent) have not responded positively in this regard (Refer Table 6.1.5).

- It is found that 69.4 per cent of the sample reported that they are able to afford better health care after joining the SHG-BLP (Refer Table 6.1.6).
- While average monthly income of the sample before joining the SHG was Rs.773, the same increased to Rs.2,081 after joining the SHG (increased by 169.3 per cent) (Refer Table Nos. 6.1.7 and 6.1.8).
- Annual expenditure level of the respondents on their children's education increased phenomenally (111 per cent) after joining the SHG-BLP. One remarkable finding of the survey is that 5.6 per cent, after joining the SHG-BLP, started sending their children to school, which is a progressive step towards their socio-economic development (Refer Table Nos. 6.1.9 and 6.1.10).
- Close to half of the respondents (48.7 per cent) agreed that their current budget for consumer durables (like cell phone, television, refrigerator and vehicles) has been on increasing trend, thanks to the SHG-BLP (Refer Table 6.1.11).
- Four-fifth of the sample respondents (80.7 per cent) are able to save, albeit in meagre amounts (Refer Table 6.1.12).

### **Main Reasons behind the Growth of NPAs in SHG-BLP**

- It is found from the data that the respondents utilised the loans for healthcare/hospital expenses (36.9 per cent), household consumption (36.8 per cent), agricultural activities (35.9 per cent), cattle rearing (34.5 per cent) and children's education (30.7 per cent) in that order. One-fourth of the SHG members (25.5 per cent) informed that they repaid their past loans, whereas approximately one-fifth (21.5 per cent) spent for marriage and other social functions. While nearly one-fifth of the respondents (20.5 per cent) built houses with the financial assistance from the SHG-BLP, only 17.3 per cent of the SHG members started petty business shops (Refer Table 6.2.1).
- It is found that around three-fourth (72.7 per cent) of the SHG members in the study States reported that they are able to undertake economic activities like cattle rearing, petty business shop, cell phones stores, etc., after joining the SHG-BLP (Refer Table 6.2.2).

- While 62.9 per cent of the respondents felt that the loan amount is sufficient, nearly one-fourth of the sample respondents (23.4 per cent) reported that the loan amount is not sufficient to engage them in any income generating activity. (Refer Table 6.2.3).
- Nearly five-sixth of the respondents (84.5 per cent) have not repaid the loans taken from the SHG-BLP as per the repayment schedule. Andhra Pradesh and Odisha accounted for major portion of the loan defaulters. 45.7 per cent of SHG members who have taken loans under SHG-BLP-NRLM have not repaid the loans. Madhya Pradesh and Andhra Pradesh accounted for major portion of the loan defaulters under NRLM (Refer Table Nos. 6.2.4 & 6.2.5).
- Majority of the SHG women cited poor economic conditions (56.3 per cent), non-cooperation/non-repayment by other members of the SHG (48.4 per cent), expenses towards marriage/ceremony, medical emergency, etc., (42.1 per cent), and expectation of loan waiver from the government (35.9 per cent) in that order, as the main factors behind the unhealthy growth of NPAs. Some SHG women mentioned that natural disasters (29.7 per cent), family disputes in respect of financial matters (26.1 per cent), and lack of proper follow-up from banks (25.5 per cent) as major reasons behind the NPAs. Contrary to the popular belief, only one-fourth of the SHG members (25.5 per cent) reported that lack of proper follow-up from the banks was one of the main reasons for non-repayment of loans (Refer Table 6.2.8).
- According to the stakeholders' view, migration/death of SHG members (79.3 per cent) is the major reason for overdue in the SHG-BLP. Expectation of loan waiver (77.6 per cent), non-cooperation from the group members (72.4 per cent), expenditure towards non-economic activities (67.2 per cent) and family problems (60.3 per cent) are other main factors behind the growth of NPAs in the SHG-BLP. Nearly half of the respondents (48.3 per cent) voted for 'multiple sources of loans' as one of the main reasons behind the NPAs. Over two-fifth of the sample population reported that poor record-keeping (43.1 per cent), financial illiteracy (41.4 per cent) and natural disasters (37.9 per cent) contributed to NPAs in the SHG-BLP (Refer Table 6.4.2).
- Over three-fifth of the loans (61.4 per cent) are chronic NPAs (loans that are overdue beyond 12 months) across the three study States in the SHG-BLP. It is

observed that more than one-third of the total respondents (36.4 per cent) admitted that they have loan overdues for beyond 36 months (Refer Table 6.2.6).

- Average overdue loan amount is Rs. 22,519 per SHG member for all the three study States. While Andhra Pradesh had the highest average loan overdues (Rs. 26,720), Odisha had the lowest average loan overdues (Rs.19, 237) in the sample (Refer Table 6.2.7).
- While we administered a schedule with SHG members, we received responses from the stakeholders in the form of a questionnaire to collect primary data. The ranks given by these two groups in respect of major reasons behind the GNPA's of the SHG-BLP are given below:

Sl. No.	Reasons for GNPA's in SHG-BLP	Rank assigned by SHG members	Rank assigned by stakeholders
1	Expenses towards marriage/ceremony/medical emergency, etc.	3	4
2	Natural disasters like drought, cyclone, floods, earthquake, etc.	5	9
3	Expectation of loan waiver from the government	4	2
4	Family disputes / misunderstanding among members of the family with regard to financial matters	6	5
5	Lack of proper follow-up from banks	7	10
6	Multiple sources of borrowings	10	6
7	Higher interest rates	8	11
8	Non-cooperation/non-repayment by other members of the SHG	2	3
9	Death/Migration of member(s) of SHG to other areas	9	1
10	Poor economic conditions of the SHG members ( <i>cited as other major reason by respondents</i> )*	1	NI*
11	Poor Record-keeping	NI	7
12	Financial Illiteracy	NI	8

\*NI refers to Not Included in the Questionnaire/Schedule.

- As per the above Table, we ranked the reasons behind the GNPA's based on the number of responses. However, there is a marginal variation in the rankings given

by these two groups partly due to the respondents' respective personal idiosyncrasy, experiential dimension, behavioural perspective, social and economic conditions.

- More than half of the sample (53.2 per cent) reported that they have not been advised properly about the consequences of default to the banks; otherwise, they would have repaid the loans somehow (Refer Table 6.2.10).
- Around two-third (63.8 per cent) of the stakeholder-respondents felt that the government's intervention through subsidy, loan waivers, etc., may discourage the repayment culture in the SHG-BLP. Hence, the overdues in the SHG-BLP (Refer Table 6.4.7).

### **Sustainability of the SHG-BLP**

- More than three-fifth of the respondents expressed satisfaction over the handholding support from the NGO/SHPs and maintenance of proper records. Only half of the SHG women (52.8 per cent) affirmed that they conduct meetings at regular intervals. Only 45.4 per cent of the respondents mentioned that they save regularly in the SHG-BLP. Similarly, in case of regular repayment of loans, internal lending and rotation of leadership positions, majority of the SHG members gave a negative answer (Refer Table 6.3.1).
- Nearly two-third of the total stakeholders (63.8 per cent) reported that peer pressure is not adequate among the group members in respect of repayment of loans (Refer Table 6.4.3).
- More than 60 per cent of the stakeholders felt that the training given by SHPs/NGOs is not adequate and hence, there is a need to rev up the training and capacity building activities (Refer Table 6.4.4).
- As per the results of the regression model, significant variables (contributors to GNPs in the SHG-BLP) based on secondary data are as follows:
  1. Average loan size per SHG (significant @ 10 per cent level)
  2. Outstanding loan amount of the SHG-BLP (highly significant @ 1 per cent level)
  3. Gross State Domestic Product (highly significant @ 1 per cent level)
  4. Poverty rate (significant @ 5 per cent level).

## CHAPTER 1

# INTRODUCTION

Microfinance in India is available mainly in two channels viz., *i*) Micro Finance Institution (MFI) - Bank Model *ii*) Self-Help Group Bank Linkage Programme (SHG-BLP). Besides, microfinance is available through Trusts and Societies, whose share is negligible. Primarily, MFIs were inspired by the Grameen Bank in Bangladesh and the innovations based in Latin America. Out of these channels, SHG-Bank Linkage Programme has become more popular in India than elsewhere in the world primarily due to its widespread adoption by Scheduled Commercial Banks, Regional Rural Banks and Cooperative Banks (Singh, 2008). SHG-BLP is a landmark model initiated by the National Bank for Agriculture and Rural Development (NABARD) in 1992 to deliver affordable doorstep banking services and largely achieved the Stated goals of financial inclusion; it is a home-grown self-help movement with an objective of creating sustainable livelihood opportunities for the rural poor (Srikanth and Reddy, 2017). Started as a bank outreach programme, SHG-BLP transcended itself into a holistic programme for building financial, social, economic, and of late, technological capital in rural India (NABARD, 2018).

Till late nineties, financial inclusion was elusive as the common man was out of focus of formal banking system despite nationalisation of banks (in 1969 and in 1980) and other policy initiatives like priority sector lending, lead bank scheme, etc. The large spectrum of deposit and loan products of Indian banks could not fulfill the financial needs of the rural poor. In this context, NABARD conducted various studies to deliver a viable financial model for the Indian rural credit system. It was revealed in the studies that the poor needs better access to adequate, timely and suitable financial products and services rather than cheap credit. Accordingly, the Self-Help Groups (SHGs) and joint liability groups (JLGs)<sup>1</sup> were promoted by NABARD based on its successful experiment with Mysore Resettlement and Development Agency (MYRADA) in 1987. Consequently, in 1992, the NABARD pioneered SHG-Bank Linkage Programme with a pilot base of just 500 SHGs. Later, RBI declared the SHG-BLP as a priority sector lending activity in 1996. Since 1999, Government of India has been supporting by way of special budgetary provision for promotion of the SHGs.

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<sup>1</sup>The JLG model was promoted by NABARD to provide institutional and collateral-free credit to small farmers. While SHG is primarily a saving oriented group, JLG is a credit oriented group; the borrowing power of SHG is determined based on the amount of its savings, whereas JLG's borrowings are determined by banks without reference to its savings.

Till March 31, 2018, the SHG-BLP trod many a milestone with a total membership of 87.44 lakh groups (covering nearly 11 crore households) across India; the SHGs mobilised a total deposit of Rs. 19,592 crore from its members as on March 31, 2018. According to Harper (2002) and Mohapatra (2016), the SHG-BLP is regarded as the largest microfinance programme in the world. The programme has made an indelible mark on the Indian financial landscape by extending collateral-free loans (without specifying any purpose or activity or project) to 50.20 lakh SHGs to the extent of Rs. 75,598 crore as on March 31, 2018. It is interesting to note that 90.62 per cent of these members are the women (NABARD, 2018). There are more than 100 Scheduled banks, 300 District central cooperative banks, 27 State rural livelihood missions, and over 5000 Non-Governmental Organisations (NGOs) as channel partners in the SHG-BLP. Brief details of progress under microfinance are given in Table 1.1.

**Table 1.1**  
**Progress under Microfinance in India**

(Rs. in crore)

Sl.No.	Details	As on 31.3.2017	As on 31.3.2018
1.	Total outstanding loans in SHG-BLP	61,581	75,598
2.	Total no. of households covered in SHG-BLP	85.77 lakh	87.44 lakh
3.	Total outstanding loans against MFIs	106,916	136,633

**Source: NABARD, Status of Microfinance in India, various issues and MFIN website.**

During the FY 2017-18, the banks in India disbursed total loans of Rs. 47,186 crore to the SHGs, thereby achieving an impressive growth rate in the total loan outstanding as shown in Table 1.1. Generally, an SHG takes two to three years to mature and reach the stage of self-sustainability from the formation stage (Deshpande et al., 2016). If things go well, SHGs graduate from consumption and/or low productive activities to economic enterprises usually after three to five years (Reji, 2010). Here, each SHG member might be able to become a micro or small entrepreneur in due course, subject to timely finance from the bank and various other facilitating factors. However, in general, most of the SHG members reach a point wherein they may not proceed to the next level of entrepreneurship due to lack of requisite management skills, technical know-how, market linkages, value addition for their products/services, adequate supply of credit, or change in the government's policy, etc. (Mani, 2015). As such, microfinance, on a standalone basis, can't work wonders in alleviation of poverty and empowerment of women; so credit-plus

package encompassing savings, insurance, health services, input supply, market linkages, training and entrepreneurial development enable the poor households to undertake self-employment or microenterprise development with confidence (Kumar, 2016).

There has been a long debate over sustainability of the SHGs in respect of their operational efficiency, regulation and supervision, multiple lending and the consequent over-indebtedness, financial management skills, political interference, low-income generating activities, etc. Hence, sustainability of the business model of the SHG-BLP needs to be evaluated on a continuous basis for right policy prescriptions (Reddy & Reddy, 2012).

Though the SHG-BLP was intended as a ‘Zero non-performing asset movement’, bad loans have been mounting up in the recent past due to various reasons. Over time, bad loans increased partly due to microfinance crisis in Andhra Pradesh (undivided State) during 2009-10 (Raj, 2012); and partly because of subsidy component through Swarnajayanti Gram Swarajgar Yojana (SGSY) (Karmakar, 2009) and loan waivers. Besides, when the bank loan amount availed by the SHG member is insufficient to set up an economic activity (like a petty grocery shop or buying a milch cow), the under financed loan amount might be diverted towards consumption purpose and thus turned out to be an NPA (Sukanya, 2017). So, there is a cause for great concern, i.e., escalating gross non-performing assets (GNPAs), which peaked to a record high of 7.4 per cent in the FY 2014-15 and later slightly reduced to 6.12 per cent as on March 31, 2018. The total GNPAs of the programme (representing all the States in India) reached a whopping amount of Rs. 4,628 crore as on March 31, 2018. The Southern States, on comparative basis, had recorded lower level of NPAs while the Northern and the North-Eastern States of India fared poorly in this regard. In relative terms, the Southern region had higher portion of savings (62.05 per cent) as well as credit (76.23 per cent) and lower level of non-performing assets (4.46 per cent) when compared to other regions as on March 31, 2018 (NABARD, 2018). Though the SHG-BLP is highly concentrated in the South of India, it is rapidly spreading its wings in other regions as well (Kumar, 2014).

Further, one of the major challenges of the SHG members is their low level of financial literacy. As a result, majority of the loans are availed by the financially savvy members (namely president, secretary and treasurer) in the group without recourse to rotation of leadership (Raj, 2012). Therefore, the SHG-BLP has accumulated bad loans in certain pockets of the country due to dominance of key members and consequent non-cooperation among the group members. In light of the above background, we made an attempt to evaluate the performance of the SHG-BLP in terms of quality of the loan portfolio and find the main reasons behind the growing NPAs.

### **BOX 1.1: STOP PRESS REPORT ON MICROFINANCE**

The microfinance industry has grown by leaps and bounds around the world during the last two decades. India is no exception to this trend; the number of Non-Banking Financial Companies (NBFCs) providing credit and savings products has gone from a few dozens to several hundreds. According to one estimate by Sa-Dhan Foundation, the total number of microfinance clients in India touched the figure of 30 million in the year 2017-18. This figure does not include the clients served by six microfinance companies that received banking licence from the Reserve Bank of India in 2015.

The report further observes that demonetisation failed to deter the spirit of MFIs, entrepreneurs and borrowers who continue to repay microcredit loans albeit with minor delays in the repayment schedule. However, the report points out that there was some contraction in loan portfolios as demonetisation hit the poor the most and consequently capital formation indicators turned negative. Highlights of the report are given below:

1. The total outstanding loan portfolio of all microfinance companies in India stood at Rs. 46,842 crore, with an NPA of 0.69 per cent.
2. Total client outreach of 295 lakh (out of which share of rural clients 61 per cent).
3. The average loan outstanding per borrower in MFIs stood at Rs. 12,751.
4. Women borrowers account for 96 per cent of the total borrowers.
5. The proportion of urban clients in MFI loans has shown a decreasing trend during the FY 2017-18.
6. SC/ST borrowers constitute 20 per cent of the borrowers followed by minorities at 10 per cent of the MFI loan portfolio.
7. The microfinance sector employs close to 87,880 personnel, out of which two-third work in the field.

**Source: Sa-Dhan, Bharat Microfinance Report, 2018**

## CHAPTER 2

### **OVERVIEW OF SHG - BLP**

‘Microfinance is defined as the provision of thrift, credit, and other financial services such as money transfer and micro-insurance products for the poor, to enable them to raise their income level and improve their standard of living’ (Karmakar, 2008). Accordingly, microfinance has been accepted as the most effective means to reduce poverty in many developing countries like India, where the primary challenge of the government is poverty alleviation (Nair, 2001).

Though there has been a massive expansion of the formal banking system for the last five decades, financial inclusion through last-mile connectivity is a pipedream in rural India. Beatriz et al. (2005) found that there are two important reasons for banks not lending to the poor: *i*) adverse selection, banks cannot easily identify the customers who are likely to default, *ii*) moral hazard, banks cannot ensure their customers to put in the required level of efforts to make the financed projects successful. Another aspect of moral hazard is that the customers may flee with the bank’s money. The situation will be further aggravated, especially when the banks are operating in weak legal enforceable zones.

As the SHG women members are either illiterate or less educated, the programme needs initial support from Self-Help Promoting Institutions (SHPIs) or NGOs who build the capacity of the groups, link them to the banks and handhold them till they attain maturity. As the SHG-BLP is a group based lending model backed by members’ savings and social collateral through peer pressure, Besley et al. (1995) argued that it may effectively circumvent the imperfections of the credit market such as adverse selection and moral hazard and reduce costs.

In view of the above, the SHG-BLP model was pioneered by NABARD in 1992 after experimenting with MYRADA, an NGO in Mysore. NABARD launched the programme when the formal banking system could not provide finance to the informal sector and the rural poor, who were considered as ‘unbankable’ till then. Under this model, women in a village were encouraged by NABARD to form the SHGs. An SHG is a group of about 15 to 20 people from a homogenous class, who join together to address common issues, where members regularly contribute small savings to the group. The savings of the group will be collected by the animator and deposits in the bank in the name of the

group. Initially, these accumulated savings will be lent to the members by the group; eventually, the group will establish credit linkage with the banks by receiving loans in certain multiples of its savings. The members of the SHGs generally avail these loans to engage in income-generating activities, sustainable livelihood creation activities apart from consumption purposes. These loans are given without any collateral and at interest rates determined by the banks.

Over the years, the SHG-BLP has emerged as a popular microfinance model in addressing the poverty alleviation of the government since banks find it comfortable to lend money to the group as the members of the SHG have already achieved certain level of financial discipline through thrift and internal lending activities. Here, the peer pressure in the group ensures timely repayment and becomes social collateral for the bank loans (Jayadev and Sundar, 2016). To some extent, the sustainability of the SHG-BLP model is built on ‘critical minimum development theory’ which enunciates that SHPIs facilitate a large group of SHG members to access the seed capital from the banks through constant monitoring, handholding and support.

As an apex organisation in agriculture and rural development, NABARD plays a dual role in microfinance: promotional and financial. While formation of the SHGs, credit linking the groups with banks (in coordination with SHPI), and facilitating training for the members fall under promotional role, providing refinance, revolving fund assistance and grants come under its financial role.

Further, with a view to achieving universal financial inclusion through the SHGs, the Ministry of Rural Development, Government of India launched National Rural Livelihoods Mission (NRLM) in 2011 by restructuring Swarnajayanti Gram Swarajgar Yojana (SGSY). The main objective of NRLM is inclusive growth - to reduce poverty among the rural people who live below poverty line by creating sustainable rural livelihoods (both wage employment and self-employment) thereby increasing their income over time. On the demand side, NRLM promotes financial literacy among the poor and provides catalytic capital to the SHGs and their federations. On the supply side, NRLM coordinates with the financial sector to deliver credit and other related services since 42.6 per cent of the SHGs in India are not credit linked (NABARD, 2018). NRLM also works towards universal coverage of the rural poor against life, health, and asset- related individual and community level risks.

The SHG-BLP received a policy intervention through the launch of SHG-2 in 2012; its main focus is on, inter alia, voluntary savings, cash credit as a preferred mode of lending

(hitherto term loan), encouraging SHG members to form JLGs, arranging for higher credit to create sustainable livelihoods, and further strengthening and monitoring mechanisms of the SHGs through credit rating and audit. However, the new addition of SHGs has been on the declining trend due to saturation in certain potential areas to form SHGs, data sanitation by banks, restricted operations of SHPIs to form SHGs after the introduction of NRLM and low credit coverage in the Central and North-Eastern States (NABARD, 2018). Trends and progress of the SHG-BLP during 2008-18 are given in Table 2.1.

**Table 2.1**  
**Progress of SHG-BLP during 2008-18**

Sl. No.	Details of SHG-BLP	2007-08	2015-16	2016-17	2017-18
1.	No. of SHGs with savings linkage (in lakh)	50.10	79.03	85.77	87.44
2.	Amount of savings of SHGs (Rs. in crore)	3785	13691	16114	19592
3.	No. of SHGs availed loans during the year (in lakh)	12.28	18.32	18.98	22.61
4.	Amount of loans disbursed during the year (Rs. in crore)	8849	37287	38781	47186
5.	No. of SHGs with loan outstanding (in lakh)	36.26	46.73	48.48	50.20
6.	Amount of loan outstanding (Rs. in crore)	17001	57119	61581	75598
7.	Amount of GNPA's (Rs. in crore)	423	3686	4002	4628
	<b>Key Ratios: SHG-BLP</b>				
8.	Savings amount to loan outstanding (row 2/row 6)	0.22	0.24	0.26	0.26
9.	Loans disbursed to savings amount (row 4/row 2)	2.34	2.72	2.41	2.41
10.	Loan outstanding to loan disbursed amount (row 6/row 4)	1.92	1.53	1.59	1.60
11.	GNPA's (row 7/row 6 * 100) (in per cent)	2.49	6.45	6.50	6.12

**Source: NABARD, Status of Microfinance in India, various issues.**

It may be observed from Table 2.1 that the SHG-BLP strengthened over the period 2008-18 in terms of savings, loans and number of SHGs. While the number of SHGs with savings linkage increased from 50.10 lakh to 87.44 lakh, savings amount increased by

Rs. 15,807 crore (@ a CAGR of 17.9 per cent) during the period 2008-18. Besides, the ratio of savings amount to outstanding loan amount of SHGs improved from 0.22 times to 0.26 times during the same period. This is quite encouraging since savings form bedrock of the edifice of the SHG-BLP. Consequently, the ratio of loans disbursed to savings amount of SHGs too improved during the period 2008-18, which is a healthy trend.

Similarly, there was an uptrend in respect of number of SHGs availing loans during this period. Loan disbursement amount increased by a whopping amount of Rs. 38,337 crore (CAGR of 18.2 per cent) during this period. The ratio of loan outstanding to loan disbursement improved to 1.60 times during 2017-18 as against 1.92 times in 2007-08. The higher this ratio, higher the NPA rate and vice versa. High outstanding loan amount coupled with low disbursement amount reflects low repayment rate of SHGs as they are not eligible for fresh loans on account of overdues. The GNPA's, in absolute volume as well as in percentage terms, experienced massive growth, increased from 2.49 per cent to 6.12 per cent during the period 2008-18, which is a cause for concern. Region wise outstanding loan amount of the SHGs is provided in Table 2.2.

**Table 2.2**  
**Region-wise Outstanding Loans of SHG-BLP**

(Rs. in crore)

Sl. No.	Name of the Region	2007-08	2015-16	2016-17	2017-18
1.	Northern region	566	1159	912	869
2.	Eastern region	2679	7038	8886	11681
3.	Western region	1164	2035	2089	2372
4.	Southern region	10301	43107	46650	57625
5.	Central region	1935	2896	2214	2162
6.	North-Eastern region	355	884	830	889
7.	<b>Total (All India)</b>	<b>17000</b>	<b>57119</b>	<b>61581</b>	<b>75598</b>
8.	<b>Average loan outstanding per SHG – All India (in Rs.)</b>	<b>46883</b>	<b>122242</b>	<b>127017</b>	<b>150584</b>

Source: NABARD, Status of Microfinance in India, various issues.

It may be noticed from Table 2.2 that the Southern region had a lion's share in outstanding loan amount of SHGs with a CAGR of 18.8 per cent during the period 2008-18. The Eastern region too witnessed healthy growth in outstanding loan amount from Rs. 2,679

crore in 2007-08 to Rs. 11,681 crore in 2017-18 (CAGR of 15.9 per cent). However, outstanding loans of SHGs were growing at a low pace in respect of Northern, Central, North-Eastern, and Western regions due to lack of good SHPIs in those areas coupled with escalating NPAs. Though a good number of SHGs were added during the period 2008-18, the average credit outstanding in these regions was much lower when compared to the Southern region. Against this backdrop, NABARD has been striving to expand the SHG-BLP in certain priority States like Assam, Bihar, Chhattisgarh, Jharkhand, Odisha, Rajasthan, Uttar Pradesh, etc. Region-wise GNPA's are given in Table 2.3.

**Table 2.3**  
**Region-wise GNPA's of SHG-BLP**

(Rs. in crore)

Sl. No.	Name of the Region	2007-08	2015-16	2016-17	2017-18
1.	Northern region	13 (2.30)	222 (19.14)	198 (21.69)	192 (22.12)
2.	Eastern region	52 (1.94)	890 (12.65)	795 (8.95)	838 (7.17)
3.	Western region	37 (3.18)	187 (9.20)	250 (11.98)	318 (13.43)
4.	Southern region	156 (1.51)	1785 (4.14)	2075 (4.45)	2572 (4.46)
5.	Central region	147 (7.60)	455 (15.72)	512 (23.14)	534 (24.70)
6.	North-Eastern region	18 (5.07)	147 (16.49)	172 (20.64)	174 (19.58)
7.	<b>Total (All India)</b>	<b>423</b> <b>(2.49)</b>	<b>3686</b> <b>(6.45)</b>	<b>4002</b> <b>(6.50)</b>	<b>4628</b> <b>(6.12)</b>

Source: NABARD, Status of Microfinance in India, various issues.

Note: Figures in brackets refer to GNPA's in percentage terms; this percentage is calculated as follows:  
GNPA's / outstanding loan amount of SHG-BLP \* 100.

It is observed from Table 2.3 that absolute amount of GNPA's of SHG-BLP surged from Rs.423 crore in 2007-08 to Rs. 4,628 crore in 2017-18, a ten-fold increase at a CAGR of 27 per cent, which is a worrying factor. GNPA's, in percentage terms too, spiked from 2.49 per cent to 6.12 per cent during the same period. The worst performing regions in this context were Central region (24.70 per cent), Northern region (22.12 per cent),

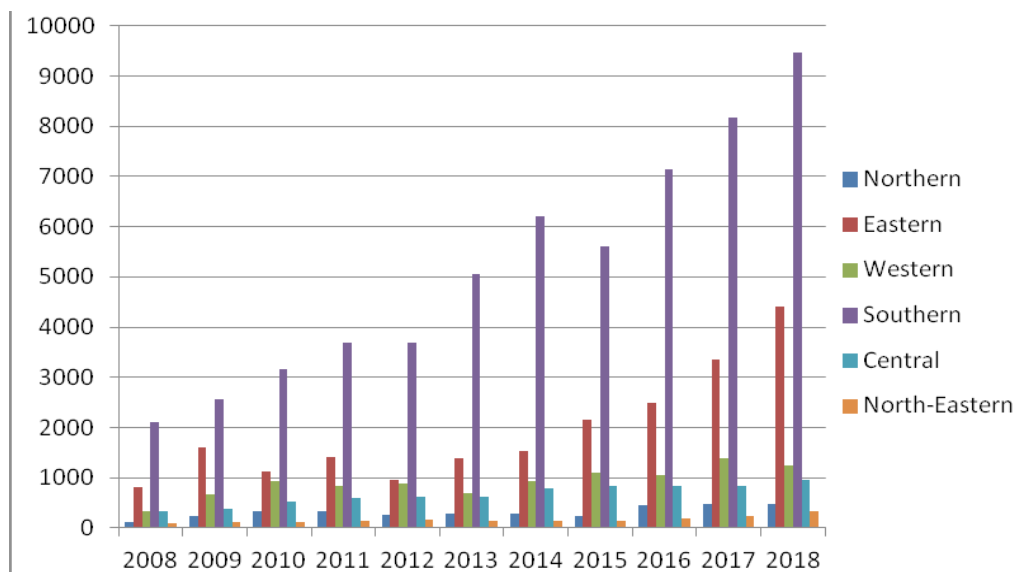
and North-Eastern region (19.58 per cent) as on March 31, 2018. Though the Southern region fared better in percentage terms in this regard, its absolute value of Rs. 2,572 crore constituted 55.6 per cent of total GNPA as on March 31, 2018.

Further, we made a trend analysis of the SHG-BLP in India during the period 2008-18 (covering all States). However, we excluded Union Territories from our trend analysis as they have negligible share in the SHG-BLP. The results are shown below.

It may be observed from the Table 2.4 that the Eastern region witnessed a healthy growth (447.06 per cent) in terms of savings and the Southern region followed the suit with 351.05 per cent during the period 2008-18. This trend is depicted in Figure 2.1.

**Figure 2.1.**  
**Region-wise Trend Analysis on Savings of SHGs**

(Rs. in crore)



While the savings (Rs. in crore) of SHGs across six regions in India are plotted on y-axis, financial years are plotted on x-axis. Here, in volume terms, the Southern region topped the savings domain of the SHG-BLP in India, followed by the Eastern region during the period 2008-18. Higher savings amount reflects relative maturity level of the SHGs. Table 2.5 portrays the movement in outstanding loans of the SHG-BLP during 2008-18.

**Table 2.4**  
**Region-wise Trend Analysis on Savings of SHGs**

Year/ Region	(Rs. in crore)											
	Northern	per cent change	Eastern	per cent change	Western	per cent change	Southern	per cent change	Central	per cent change	North- Eastern	per cent change
2008	121.71		805.73		330.63		2099.44		335.3		86.33	
2009	225.19	85.02	1596.16	98.10	664.28	100.91	2568.53	22.34	386.81	15.36	102.12	18.29
2010	339.73	50.86	1119.23	-29.88	926.67	39.50	3161.63	23.09	513.63	32.79	121.67	19.14
2011	324.33	-4.53	1407.22	25.73	829.01	-10.54	3691.51	16.76	603.38	17.47	131.04	7.70
2012	248.5	-23.38	945.94	-32.78	871.94	5.18	3696.4	0.13	613.57	1.69	152.51	16.38
2013	286.75	15.39	1391.81	47.14	695.86	-20.19	5065.24	37.03	624.22	1.74	130.1	-14.69
2014	275.03	-4.09	1525.41	9.60	929.91	33.63	6208.06	22.56	790.56	26.65	128.82	-0.98
2015	232.92	-15.31	2152.12	41.08	1091.23	17.35	5611.73	-9.61	823.7	4.19	130.22	1.09
2016	443.5	90.41	2476.91	15.09	1057.04	-3.13	7137.14	27.18	841.08	2.11	190.25	46.10
2017	484.53	9.25	3356.66	35.52	1385.37	31.06	8181.51	14.63	838.98	-0.25	229.57	20.67
2018	479.76	-0.98	4407.82	31.32	1245.19	-10.12	9469.61	15.74	953.85	13.69	322.08	40.30
per cent change (2008-18)	294.18		447.06		276.61		351.05		184.48		273.08	

Source: NABARD, Status of Microfinance in India, various issues.

**Table 2.5**  
**Region-wise Trend Analysis on Outstanding Loans of SHG-BLP**

Year/ Region	(Rs. in crore)										
	North- ern	Eastern	per cent change	Western	per cent change	Southern	per cent change	Central	per cent change	North- East- ern	per cent change
2008	559.85	2677.63		1163.56		10300.78		1935.43		355.63	
2009	666.44	3019.88	12.78	1551.14	33.31	14912.14	44.77	2045.33	5.68	469.31	31.97
2010	801.74	3691.53	22.24	1369.49	-11.71	18869.58	26.54	2462.4	20.39	673.47	43.50
2011	894.59	4196.73	13.69	1246.23	-9.00	21714.23	15.08	2365.39	-3.94	695.25	3.23
2012	1162.15	4623.69	10.17	1363.78	9.43	25230.1	16.19	2780.29	17.54	993.27	42.87
2013	1139.94	5531.02	19.62	1467.52	7.61	27493.09	8.97	2776.84	-0.12	796.77	-19.78
2014	1092.76	4935.56	-10.77	1640.46	11.78	31686.66	15.25	2696.67	-2.89	753.8	-5.39
2015	1529.16	6164.51	24.90	1987.38	21.15	30282.72	-4.43	2486.15	-7.81	722.08	-4.21
2016	1152.1	7032.16	14.07	2034.62	2.38	33185.85	9.59	2895.9	16.48	884.72	22.52
2017	906.58	8872.29	26.17	2088.42	2.64	34499.12	3.96	2213.69	-23.56	831.61	-6.00
2018	861.97	11670.33	31.54	2371.38	13.55	43738.98	26.78	2161.72	-2.35	890.48	7.08
per cent change (2008- 18)	53.96	335.85		103.80		324.62		11.69		150.40	

Source: NABARD, Status of Microfinance in India, various issues.

It may be observed from Table 2.5 that the Eastern region witnessed a healthy growth (335.85 per cent) in terms of outstanding loans, while the Southern region followed the suit with a growth rate of 324.62 per cent during the period 2008 -18. Higher outstanding loan amounts indicate relative maturity level of the SHGs coupled with the bankers' confidence on the members to finance income generating activities.

The above trends are shown in Figure no. 2.2. While the outstanding loans (Rs. in crore) of SHGs across six regions in India are plotted on y-axis, financial years are plotted on x-axis. Here, again, the Southern region dominated in the outstanding loan amount of the SHG-BLP across various regions in India, followed by the Eastern region during the period 2008-18.

**Figure 2.2**

**Region-wise Trend Analysis on Outstanding Loans of SHG-BLP**

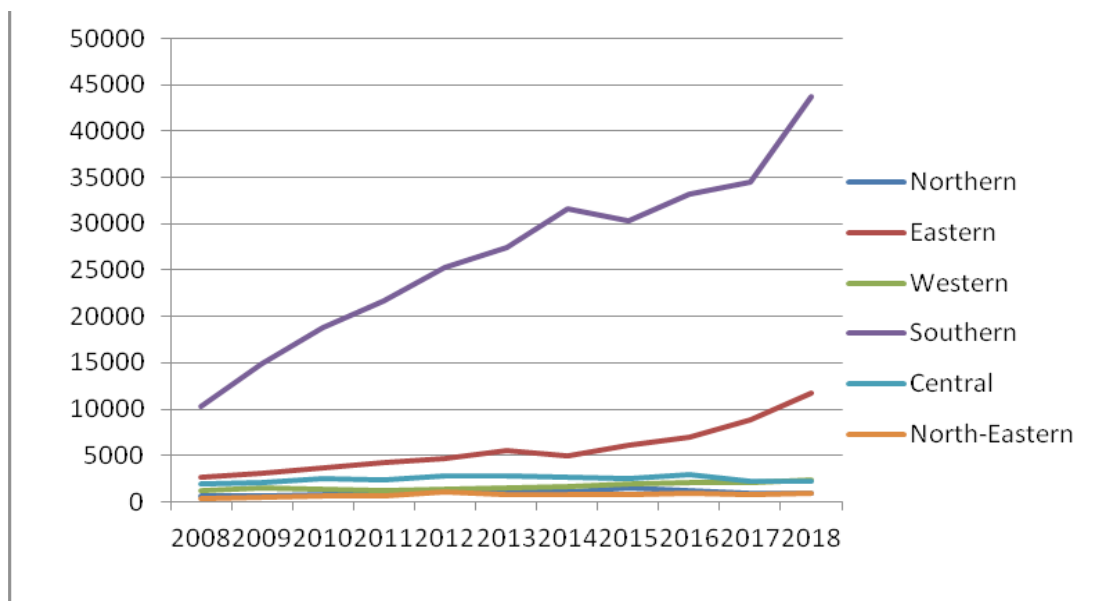


Table 2.6 provides trend analysis on the GNPA's of SHG-BLP during the period 2008-18.

It may be observed from Table 2.6 that the Eastern region witnessed the highest growth (1508.75 per cent) in terms of GNPA's, followed by the Northern region (1318.93 per cent), the Southern region (1213.16 per cent) and the Central region (1054.44 per cent) during the period 2008-18. Figure 2.3 provides GNPA's (Rs. in crore) of SHG-BLP across six regions in India on y-axis, financial years are plotted on its x-axis.

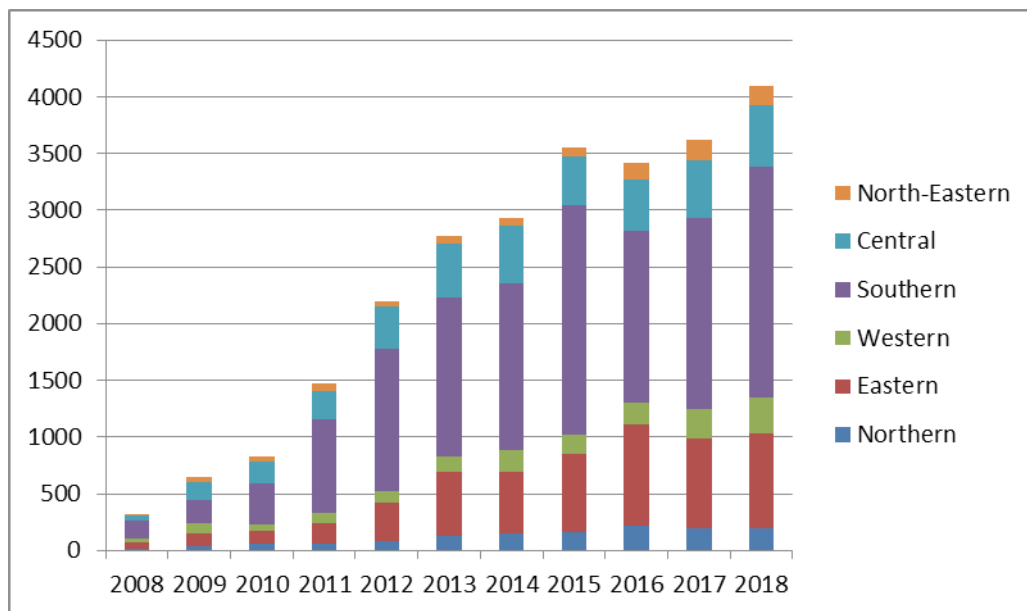
**Table 2.6**  
**Region-wise Trend Analysis on GNPA's of SHG-BLP**

Year/ Region	(Rs. in Crore)										
	North- ern	Eastern	per cent change	West- ern	per cent change	South- ern	per cent change	Central	per cent change	North- Eas- tern	per cent change
2008	13.47	52.01		37.46		155.31		46.25		18.4	
2009	42.07	111.71	212.32	81.42	117.35	203.53	31.05	167.7	262.59	37.75	105.16
2010	53.85	118.73	28.00	61.06	-25.01	355.66	74.75	198.66	18.46	37.13	-1.64
2011	62.03	181.07	15.19	90.42	48.08	822.39	131.23	254.03	27.87	58.56	57.72
2012	79.14	336.8	27.58	112.14	24.02	1252.84	52.34	367.04	44.49	51.34	-12.33
2013	126.64	570.54	60.02	126.58	12.88	1404.49	12.10	479.76	30.71	68.24	32.92
2014	149.83	547.18	18.31	182.26	43.99	1469.82	4.65	508.99	6.09	66.96	-1.88
2015	162.28	684.12	8.31	171.79	-5.74	2030.1	38.12	419.51	-17.58	84.83	26.69
2016	220.34	889.62	35.78	187.26	9.01	1517.25	-25.26	455.36	8.55	145.92	72.01
2017	196.71	793.7	-10.72	250.18	33.60	1691.38	11.48	512.19	12.48	171.65	17.63
2018	191.13	836.71	-2.84	318.54	27.32	2039.47	20.58	533.93	4.24	174.36	1.58
per cent change (2008- 18)	1318.93	1508.75		750.35		1213.16		1054.44		847.61	

Source: NABARD, Status of Microfinance in India, various issues

**Figure 2.3**  
**Region-wise Trend Analysis on GNPA of SHG-BLP**

(Rs. in crore)



It may be observed from Figure 2.3 that the Southern region had recorded the worst performance in terms of the highest amount of overdues in the SHG-BLP followed by the Eastern and the Central regions in India during the period 2008-18. Higher GNPA, driven by various factors as explained in Chapter 6, are certainly detrimental to the efforts made / to be made to alleviate poverty in India.

## CHAPTER 3

### **REVIEW OF LITERATURE**

The definition of poverty has evolved from consumption of calories to deprivation of income to lack of assets to sustainable livelihoods (Carney, 1998; DFID, 1999) to a more recent multidimensional poverty index (Alkire and Santos, 2014). Among the strategies for poverty alleviation, the Graduation Approach pioneered by Hashemi and De Montesquiou (2011) on behalf of Bangladesh Rural Advancement Committee is the most popular one. This approach lays emphasis on promotion of livelihoods, social protection, and access to microfinance for the poor. Broadly, there are five sources of microcredit in rural India: relatives and friends, moneylenders, SHGs, MFIs and government microfinance programmes (Swain, 2002; Tambe et al., 2017).

The role of microfinance in reducing poverty has been widely recognised. The first microcredit summit was held in 1997 in Washington D.C. Since then, the microfinance witnessed spectacular growth. The United Nations (UN) declared 2005 as the year of micro credit and speaking on this occasion, Kofi Annan, the then UN Secretary General remarked that ‘sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that best serve their needs’.

Banerjee et al. (2009) showed that the microfinance helps the ultra-poor to meet their most basic needs and protect against risks; in this process, their economic welfare will be improved. Besides, it ensures the participation of women in development paradigm, which ultimately leads to empowerment of women and gender equity. While Khandker (2005) found that microfinance makes a positive contribution to reduce poverty in Bangladesh, Hulme (2000) showed the other side of microfinance and concluded that it cripples the prospects of the poor. Many researchers found that microfinance does not reach the poorest of the poor (Scully, 2004) or the poor are actively excluded from the system (Simanowitz, 2002). Microfinance has not brought any visible change in respect of health, education, and women’s empowerment (Banerjee et al., 2015). However, SHG-BLP is a progressive measure from NABARD aimed at achieving financial inclusion and providing microcredit to the poor so that they will undertake small and productive economic activities (Sukanya, 2017). This programme is considered as the fastest growing microfinance programme in the world by securing livelihoods, reviving local economies, and empowering women

through training, confidence building, and leadership development (Fischer and Sriram, 2002; Seibel, 2005).

Microcredit is hardly enough to lift the rural poor out of poverty; the underlying presumption is that microcredit would eventually translate into successful microenterprises (Subrahmanyam, 2009). However, many poor SHG women are unable to become micro-entrepreneurs despite the support from the banks simply because they lack business acumen/motivation to become business women (Mani, 2015). Hence, small and microenterprises should be encouraged to ensure livelihood security of the rural poor (Raj, 2012; Adhikary & Bagli, 2013). Here, SHPIs/NGOs play a key role not only in formation of the SHGs, but also in nurturing in pre-microenterprise stage, capacity building and enhancing credit absorption capacities (Mahajan, 2005; Kumar, 2014).

Since 1992, SHG-BLP has emerged as the successful model in terms of number of borrowers, savings mobilised, loans disbursed, and loans outstanding in microfinance sector. NABARD, Reserve Bank of India (RBI), and Small Industries Development Bank of India (SIDBI) provided the requisite support infrastructure and facilitated in reinforcing the model (Nagayya and Rao, 2016). Gariyali and Vettivel (2003) confirmed that SHGs have changed the men's attitude towards women in Tamil Nadu and they have become platforms for implementation of various welfare schemes of the government. Sharma (2011) concluded that micro credit is a means to enlarge the poor women's livelihood options. Girija and Radhakrishan (2017) showed how the SHGs help development of enterprise activities and enhance the living standards of the women associated with Kudumbashree, Kerala.

As most of the SHGs are women member groups, there is an immense potential for women's empowerment. Maity (2016) found that there is a positive correlation between microfinance and empowerment of women. There is overwhelming evidence that women-run SHGs are the best managed as women show greater sense of responsibility and commitment to human development activities like healthcare and education of their families (Pitt and Khandker, 1998). There are reports of SHG office-bearers being elected to Panchayats and thereafter becoming effective leaders in politics. It is not just finance but empowerment of women that is potentially achieved in good SHGs (Shah, et al., 2007).

SHG-BLP brought dramatic changes in the lives of the poor women. In the initial phases of the programme, SHGs used to engage in mobilising savings and borrowings, whereas in recent years, SHGs undertake new roles and responsibilities that lie at the very core

of livelihood security for the poor (Ramesh, 2007). According to an impact assessment study of NRLM conducted by the Institute of Rural Management Anand (IRMA) in 2017, there was a significant growth in livestock in case of treatment group of SHG households; also there was an increase in net income to the extent of 22 per cent; and these households not only saved money but also mobilised higher amount of loans from formal financial system at lower interest rates, when compared to the control group.

Kumar (2016) observed that there was a significant improvement in the economic situation of women in Kerala after joining women groups and the consequent accessibility to microcredit. However, increasing use of microcredit largely for non-income generating activities raises doubts about the sustainable positive economic changes that it could bring in the future. One of the major problems of the SHG-BLP is lack of technical know-how among women members in remote villages. Intensive competitions among NGOs for soliciting donors' grants and limited funds allocated by the banks under the programme are some of the hurdles in expansion of business of the micro-entrepreneurs (Bharathi, 2014).

Koichi and Keiko (2011) observed that the interest rate levied by moneylenders in Madurai district, Tamil Nadu was as high as 5 to 10 per cent per month till late eighties, but after the introduction of the SHG-BLP, the rate was reduced to 1 to 3 per cent per month. So, there is a negative relationship between the SHG-BLP and share of moneylenders in the rural credit (Dasgupta, 2001; Shylendra et al., 2010). The SHG-BLP is found to be cost-effective for banks since group loans reduce the operating expenses as well as delinquency rates. Srinivasan (2008) observed that the SHG-BLP has many advantages like high recovery performance, reduction in transaction costs for banks and clients, availability of credit at market interest rates, and opportunity to the banks for developing quality clientele in future. The SHG-BLP initiative of NABARD changed the attitude of bankers, who used to perceive that the poor are not bankable and the loans given to the SHG members are not safe and performing. Nevertheless, this programme had certain drawbacks such as geographic concentration of SHGs in South India, a need for the institutional growth of SHG federations and their quality (Thorat, 2006).

C.K. Prahalad (2004) proposed the financial empowerment of the four billion poor people in the world by giving them choice, self-esteem and entrepreneurial opportunities in order to overcome poverty. He documented how ICICI Bank relied on the SHG-BLP model to financially empower the poor women in India thereby expanding its rural credit portfolio. Of late, HDFC Bank is very successful in increasing its loan portfolio by employing local people from Kashmir as credit officers. As such, availability of finance promotes

entrepreneurship, enhances competition and productivity in the market place. In the absence of inclusive finance, the rural masses and micro & small enterprises depend on their limited earnings to invest in their education and entrepreneurship opportunities thereby lagging behind the growth curve (World Bank, 2008).

Karmakar (2009) argued that SHG-BLP enabled households to spend much more on education than non-client households. Children of the SHG members reported higher school attendance and lower dropout rates. The programme empowered women by enhancing their contribution to household income, increasing the value of their assets and participating in decision-making process of their families. In certain areas, microfinance reduced child mortality, improved maternal healthcare and nutrition particularly among women and children.

Purushotham (2010) found that the SHGs in Bidar district, Karnataka recovered to the extent of 98.4 per cent of the loans given to the members; however, majority of the SHG members did not acquire optimal level of skills to maintain their books of accounts reflecting the prevalence of financial illiteracy among the members. While some researchers reported that the SHGs attract politicians and get reduced into vote banks with all the attendant ills, others argued that repayment of loans is not properly reported and monitored. The finance, accounts and management information system functions are weak even among the matured SHGs. So, the banks are not keen to enhance the credit limits of the SHGs due to lack of authentic records about their activities. To address this issue and make SHGs digitally inclusive, NABARD launched E-Shakti initiative on a pilot basis in 2015 and now the project is being implemented in 100 districts across 22 States and one Union Territory of India. Going forward, E-Shakti would be a catalyst in digital transformation of the microfinance sector in India (NABARD, 2018).

Nagayya and Rao (2016) suggested that SHG-BLP model should be continued with greater enthusiasm to play a proactive role for better outreach, with increased penetration in underserved areas and without compromising on the quality of lending. They emphasised that focus should be on creation of new enterprises, productive activities, and revival of the dormant and not so well functioning SHGs and federations.

**“You can tell the condition of a nation by looking at the status of its women”**

*-Jawaharlal Nehru*

## CHAPTER 4

### RESEARCH METHODOLOGY

The study relied on primary as well as secondary data on the SHG-BLP. We believe that primary and secondary data will bring in a holistic view about the subject and help in achieving better analytical rigour. The study used both quantitative and qualitative data techniques to meet the objectives. Also, a few case studies are presented in the report to highlight the success stories as well as key learning points from the field.

In the study, we collected primary data through two different sets of schedules/questionnaires: *a*) from members of the SHGs and *b*) from bankers, SHPIs/NGOs, and other line department officials of respective State governments. Firstly, we collected primary data through an interview schedule from 663 members of SHGs located in three sample States, namely Andhra Pradesh (189), Madhya Pradesh (212) and Odisha (262). We conducted field work for a period of six months, i.e., between March and August, 2018. We collected primary data from all women SHGs, as male SHGs were very rarely found in our survey. The schedule for the SHG members was prepared after a lot of discussion and review. Before eliciting final responses from the SHG members, it was field-tested in Kurnool district, Andhra Pradesh. In fact, we conducted a pilot study in March, 2018 on 70 members from 35 SHGs located in Allagadda and Owk blocks of Kurnool district before finalising the schedule. This was supplemented by focus group discussion with office-bearers of SHPIs as well as bankers to evaluate the SHG-BLP with special reference to its asset quality.

Secondly, we collected primary data through a questionnaire from 58 bankers/office-bearers of the SHG federations and other stakeholders of the programme. Both the questionnaire and schedule are placed as **Annexures A&B**. As India has six geographic regions, namely North, East, West, South, Central, and North-Eastern regions, we randomly selected three States from three regions in the country viz., Andhra Pradesh (representing South), Madhya Pradesh (representing Central) and Odisha (representing East) as the study area. We selected these sample States for the study by classifying States based on the level of GNPA as on March 31, 2017. We selected the sample States as they fall into the category of *low to medium level* of GNPA regions with regard to the SHG-BLP across the country. Besides, NABARD instructed the study team to compare

and contrast the quality of lending portfolio of the SHG-BLP of various States/regions in India in general, and Andhra Pradesh, Madhya Pradesh and Odisha in particular. Table 4.1 explains the reasons behind sampling of the study.

**Table 4.1**

**Level of GNPA's in Various Regions of India**

Sl. No.	Region / State	GNPAs as on 31.3.2017 (Rs. in crore)	GNPAs (per cent)	Remarks on level of GNPA's
1	<b>Southern region</b> <i>Out of which: Andhra Pradesh</i>	<b>2,075.03</b> <i>500.20</i>	<b>4.45</b> <i>2.87</i>	<b>Low</b>
2	<b>Eastern region</b> <i>Out of which: Odisha</i>	<b>795.37</b> <i>299.55</i>	<b>8.95</b> <i>14.08</i>	<b>Medium</b>
3	<b>Central region</b> <i>Out of which: Madhya Pradesh</i>	<b>512.19</b> <i>109.59</i>	<b>8.17</b> <i>21.54</i>	<b>Medium</b>
4	Western region	250.18	11.98	High
5	Northern region	197.77	21.69	High
6	North-Eastern region	171.64	20.64	High
7	<b>Total</b>	<b>4002.18</b>	<b>6.50</b>	

**Source: NABARD, Status of Microfinance in India, various issues.**

As per Table 4.1, while the Southern, Eastern and Central regions had low to medium level of GNPA's, the Northern, Western, and North-Eastern regions had high level of GNPA's as on March 31, 2017. It may be noted that while Andhra Pradesh had lower level of GNPA's (2.87 per cent) when compared to that of the entire Southern region (4.45 per cent), Odisha (14.08 per cent) and Madhya Pradesh (21.54 per cent) had higher level of GNPA's as compared to those of their respective regions as on March 31, 2017. It is also clear from the Table 4.1 that the South, East, and Central regions together account for 84.52 per cent of total GNPA's of the country in terms of volume as on March 31, 2017. Perhaps, this could be one of the main reasons for selection of the sample States by NABARD in this study. On the other hand, NABARD might have engaged some research institutes to examine the quality of the SHG-BLP's loan portfolio in other States/regions. While reviewing literature on reasons behind non-performing assets of the SHG-BLP too, we hardly found any previous study in this regard, except a study conducted by BIRD, Lucknow.

The sample (in the above mentioned three States) was finalised through a stratified multi-stage random sampling method. In the first stage, two districts in each State were identified on the basis of NPA level of SHG-BLP, i.e., the districts with higher and lower NPA levels as on March 31, 2017. The study selected Kurnool district of Rayalaseema region and West Godavari district of coastal region from Andhra Pradesh. From Madhya Pradesh, Alirajpur, a tribal and backward region and Sehore, an urban area were selected. Similarly, Kalahandi, a tribal region and Jagatsinghpur, an urban area of Odisha were selected. From these six districts (3 States \* 2 districts), a total of twelve blocks (6 districts \* 2 blocks) were chosen for conducting the field survey. From the selected twelve blocks, one Gram Panchayat each was selected (12 blocks \* 1 Gram Panchayat). From each Gram Panchayat, approximately 18 SHGs were selected (216 SHGs = 12\*18) randomly. Finally, from each group, three members were interviewed; thus, final random sampling units are 663 members of SHGs. While identifying the sample villages, those having more than 10 SHGs only were selected.

Besides, perceptions of 58 stakeholders, namely bankers, NGOs and respective government department officials were documented. Understanding the SHG-BLP from the users (SHG women) and stakeholders (bankers, line department officials of the State government) may offer valuable insights not just about its asset quality, but also about its sustainability.

Also, we collected secondary data from March 31, 2008 till March, 2018, a sample period of 11 years. We conducted regression analysis on the secondary data and reported the results in Chapter 6 at para no. 6.5.1. While brief analysis of secondary data is made available in Chapter 2 of the report, secondary data in detail with regard to 29 States are provided in **Annexure C**.

We used Panel Regression Fixed effects model for processing the secondary data related to 29 States of India from 2008 to 2018. The data on the SHG-BLP related to savings, outstanding loans and average loan size per SHG are taken as independent variables; poverty rate, literacy rate and Gross State Domestic Product are taken as control variables. Total GNPA of the SHG-BLP of the 29 States is taken as dependent variable in the regression model.

### **Objectives of the Study**

The study has been conducted by keeping the following objectives in mind:

1. To compare and contrast the quality of lending portfolio of the SHG-BLP of various States/regions in the country in general and AP, MP and Odisha in particular
2. To study the factors behind mounting NPAs in SHG loans including National Rural Livelihoods Mission (NRLM) loans
3. To assess the impact of SHGs' access to credit on the income generating capacity of their members in general, and the poverty alleviation in particular
4. To critically evaluate the sustainability of the SHGs based on the perceptions of their stakeholders
5. To recommend policy prescriptions for laying the roadmap for the future

### **Limitations of the Study**

One of the limitations of the study is that we collected primary data on the SHG-BLP from only three States representing low to medium level of NPA regions in India. As such, we have not collected primary data from high NPA level regions, namely the Northern, the Western and the North-Eastern regions. However, we have collected and processed secondary data on the SHG-BLP across the country (29 States) from 2008 to 2018 for the purpose of regression analysis. Secondary data on Union Territories of India are not considered, as the same are not available for certain years.

## CHAPTER 5

### **PROFILE OF THE STATES AND SHG MEMBERS**

The present chapter deals with the profile of the study States, namely Andhra Pradesh, Madhya Pradesh and Odisha as well as the SHG members. The following paragraphs are devoted for the States.

#### **Andhra Pradesh**

Andhra Pradesh is situated in the South-Eastern region of the country and it is the eighth largest State in India, covering an area of 1,62,970 square km. As per the 2011 census, it is the tenth most populous State, with 4.94 crore inhabitants. It has an overall literacy rate of 67.41 per cent. The State's economy is mainly based on agriculture and livestock, 60 per cent of its population is engaged in agriculture and allied activities. It was ranked eighth among other Indian States in terms of Gross State Domestic Product (GSDP) during the financial year 2017–2018.

In Andhra Pradesh, Self-Help Group movement has been taken up as a mass movement by women. Society for Elimination of Rural Poverty (SERP) and Mission for Elimination of Poverty in Municipal Areas (MEPMA), which are working under the Government of Andhra Pradesh monitor the activities related to the SHGs. The schemes of government such as Streenidhi, Pasupu Kumkuma, Unnathi, Chandranna Bheema, etc., are providing loans to the SHGs in Andhra Pradesh. According to the statistics of NABARD, the South Indian States, along with Andhra Pradesh in particular, are having better repayment record of SHG loans. NGOs involved in rural development activities are also largely operating through Self-Help Groups. Table 5.1 captures the progress of the SHG-BLP in Andhra Pradesh during the period 2015-18.

It may be observed from Table 5.1 that the SHG-BLP in Andhra Pradesh strengthened over the period 2015-2018. While the number of SHGs with savings linkage increased from 9.02 to 9.28 lakhs, total savings amount increased by Rs. 2,536 crore (@ a CAGR of 17.05 per cent) during the period 2016-18. Though the GNPA's of Andhra Pradesh, in absolute volume increased, in percentage terms, they came down during 2016-18. Besides, the ratio of savings amount to outstanding loan amount of SHGs improved from 0.24 times to 0.30 times during the same period, which is a healthy sign. However, the ratio of loan outstanding to loan disbursement deteriorated from 1.50 times in 2015-16 to

2.09 times during 2017-18. High outstanding loan amount coupled with low disbursement amount reflects low repayment rate of SHGs as they are not eligible for fresh loans on account of overdues. Hence, the SHGs in AP could avail lower amount of loans during the period 2016-18. This is also reflected in the loan disbursed to savings ratio during this period.

**Table 5.1**  
**Progress of SHG –BLP in Andhra Pradesh**

Sl. No.	Details of SHG-BLP	2015-16	2016-17	2017-18
1.	No. of SHGs with savings linkage (in lakh)	9.02	8.49	9.28
2.	Amount of savings of SHGs (Rs. in crore)	4146	5291	6682
3.	No. of SHGs availed loans during the year (in lakh)	4.04	3.58	3.14
4.	Amount of loans disbursed during the year (Rs. in crore)	11505	10347	10652
5.	No. of SHGs with loan outstanding (in lakh)	8.02	7.51	7.74
6.	Amount of loan outstanding (Rs. in crore)	17221	17406	22242
7.	Amount of GNPAAs (Rs. in crore)	555	500	666
<b>Key Ratios: SHG-BLP</b>				
8.	Savings amount to loan outstanding (row 2 / row 6)	0.24	0.30	0.30
9.	Loans disbursed to savings amount (row 4/row 2)	2.77	1.96	1.59
10.	Loan outstanding to loan disbursed amount (row6/row4)	1.50	1.68	2.09
11.	GNPAAs (row 7/row 6 * 100) (in per cent)	3.23	2.87	2.99

Source: NABARD, Status of Microfinance in India, various issues.

### Madhya Pradesh

Madhya Pradesh is India's second largest State in area with a population of 7.2 crore as per the 2011 Census. It has a sex ratio of 930 females per 1000 males. It has an overall literacy rate of 75 per cent. Poverty rate in MP stands at 48.6 per cent, which reflects a

significant scope for improvement in terms of several human development indicators. Poverty and lack of livelihood opportunities act as a huge constraint for MP. While the non-government organisations are pioneers in promoting the SHGs in Madhya Pradesh, State sponsored programmes such as Swa-Shakthi, Tejaswini and SGSY have played a major role in promoting the SHG-BLP in different phases. However, the SHG-BLP movement is relatively new in MP when compared to AP and Odisha. Table 5.2 captures the progress of the SHG-BLP in Madhya Pradesh during the period 2015-18.

**Table 5.2**  
**Progress of SHG –BLP in Madhya Pradesh**

Sl.No.	Details of SHG-BLP	2015-16	2016-17	2017-18
1.	No. of SHGs with savings linkage (in lakh)	2.49	2.38	2.56
2.	Amount of savings of SHGs (Rs. in crore)	248	273	301
3.	No. of SHGs availed loans during the year (in lakh)	0.43	0.34	0.26
4.	Amount of loans disbursed during the year (Rs. in crore)	591	296	180
5.	No. of SHGs with loan outstanding (in lakh)	1.19	0.92	0.89
6.	Amount of loan outstanding (Rs. in crore)	973	509	440
7.	Amount of GNPA's (Rs. in crore)	100	110	87
	<b>Key Ratios: SHG- BLP</b>			
8.	Savings amount to loan outstanding (row 2 / row 6)	0.26	0.54	0.68
9.	Loans disbursed to savings amount (row 4/row 2)	2.38	1.08	0.60
10.	Loan outstanding to loan disbursed amount (row 6/row 4)	1.65	1.72	2.44
11.	GNPA's (row 7/row 6 * 100) (in per cent)	10.27	21.61	19.77

Source: NABARD, Status of Microfinance in India, various issues.

It may be observed from Table 5.2 that while the number of SHGs with savings linkage increased from 2,49,000 to 2.56,000 in Madhya Pradesh, total savings amount of SHGs increased by Rs. 53 crore (@ a CAGR of 6.6 per cent) during the period 2016-18. As such, the ratio of savings amount to outstanding loan amount of the SHGs improved from

0.26 times to 0.68 times during the same period, which is quite encouraging. Though the GNPA's of Madhya Pradesh increased, in percentage terms, their absolute volume came down during 2016-18. However, the ratio of loan outstanding to loan disbursement deteriorated from 1.65 times in 2015-16 to 2.44 times during 2017-18. High outstanding loan amount coupled with low disbursement amount reflects low repayment rate of SHGs as they are not eligible for fresh loans on account of overdues. As a result, the disbursement of loans SHGs witnessed drastic decline from Rs. 591 crore in 2015-16 to Rs. 180 crore during the year 2017-18. Consequently, this is also reflected in the loan disbursed to savings ratio during this period. As the GNPA ratio was almost doubled during the same period, it is an alarming situation and needs course correction.

### **Odisha**

As per the 2011 Census, the total population of Odisha is 4.2 crore. Thus, it forms 3.47 per cent of India's population. Total area of Odisha is 1,55,707 square km. The population density of Odisha is 270 per square km which is lower than national average of 382 per square km. The total literacy rate of the State is 72.87 per cent. Odisha became the first State in the country to adopt SHG based model for financial inclusion to extend banking services in the unbanked areas through the SHGs. In this regard, State government inked agreement with the State Bank of India (SBI). As per the agreement, Odisha Livelihoods Mission (OLM) functioned as a corporate agent and around 3,00,000 SHGs are operating as Banking Correspondent (BC). In the first phase, SHGs were engaged as BC in around 1,000 remote Gram Panchayats in the State. Gradually in later phases, it was extended to 4,000 non-banked Gram Panchayats. Subsequently, entire State was covered under the financial inclusion programme. In recent years, the Odisha Livelihoods Mission (OLM/NRLM) is vigorously working for the women empowerment in rural areas and in backward districts like Kalahandi, Kandhamal, Naupada, Mayurbunj, etc., through the SHG-BLP. Table 5.3 captures the progress of the SHG-BLP in Odisha during the period 2015-18.

It may be observed from Table 5.3 that the SHG-BLP in Odisha got strengthened over the period 2016-2018 in terms of all parameters. While the number of SHGs with savings linkage increased from 4,87,000 to 5,30,000, savings amount of SHGs increased by Rs. 439 crore during the period 2016-18 (@ a CAGR of 23.6 per cent). Besides, the ratio of savings amount to outstanding loan amount of SHGs improved from 0.26 times to 0.41 times during the same period, which is a very healthy sign. It is very interesting to note that the GNPA's of Odisha in absolute volume as well as in percentage terms came down

during the period 2016-18. Similarly, the amount of loan disbursed to SHGs increased by Rs. 657 crore from Rs.860 crore in 2015-16 to Rs.1517 crore in 2017-18 (@ a CAGR of 20.8 per cent). Hence, the ratio of loan outstanding to loan disbursement too improved from 2.19 times in 2015-16 to 1.49 times during 2017-18.

**Table 5.3**  
**Progress of SHG –BLP in Odisha**

Sl. No.	Details of SHG-BLP	2015-16	2016-17	2017-18
1.	No. of SHGs with savings linkage (in lakh)	4.87	4.31	5.30
2.	Amount of savings of SHGs (Rs. in crore)	486	627	925
3.	No. of SHGs availed loans during the year(in lakh)	0.64	0.72	1.11
4.	Amount of loans disbursed during the year (Rs. in crore)	860	961	1517
5.	No. of SHGs with loan outstanding (in lakh)	2.14	2.21	2.33
6.	Amount of loan outstanding (Rs. in crore)	1883	2127	2262
7.	Amount of GNPA's (Rs. in crore)	470	300	325
	<b>Key Ratios: SHG- BLP</b>			
8.	Savings amount to loan outstanding (row 2 / row 6)	0.26	0.29	0.41
9.	Loans disbursed to savings amount (row 4/row 2)	1.77	1.53	1.64
10.	Loan outstanding to loan disbursed amount (row 6/row 4)	2.19	2.21	1.49
11.	GNPA's (row 7/row 6 * 100) (in per cent)	24.93	14.08	14.35

Source: NABARD, Status of Microfinance in India, various issues.

**Profile of the SHG Members:** The following paragraphs give details of the SHG members.

We selected two districts randomly from each State for the sample of the study based on the level of GNPA's of SHG-BLP as on March 31, 2018. Primarily, we selected two districts in each State on the basis of NPA level of SHG-BLP, i.e., the districts with higher and lower NPA levels as of May/June, 2018. The details of sample districts are given in Table 5.4. It is evident from Table 5.4 that out of the total 663 respondents, 39.51 per cent are from Odisha, 31.97 per cent are from Madhya Pradesh and the remaining are from

Andhra Pradesh. While Andhra Pradesh had lower level of GNPA's, Odisha and Madhya Pradesh had higher level of GNPA's. Occupation of the SHG members is shown in Table 5.5.

**Table 5.4**  
**Frequency of the Sample Districts/States**

Sl. No.	Name of the District/State	Name of the Block	No. of Respondents		Per cent of GNPA's during May/June, 2018
1.	Kurnool	Allagadda and Owk	74		3.35
2.	West Godavari	Gopalapuram and Thallapudi	115		0.12
	<b>Andhra Pradesh</b>			<b>189</b>	<b>2.66</b>
1.	Alirajpur	Sondwa	121		0.65
2.	Sehore	Sehore and Ichchawar	91		46.60
	<b>Madhya Pradesh</b>			<b>212</b>	<b>20.62</b>
1.	Jagatsinghpur	Balikuda, Baramundali, Borikina, Rahan and Tirtol	132		3.81
2.	Kalahandi	Madanpur Rampur, and Thuamul Rampur,	130		47.60
	<b>Odisha</b>			<b>262</b>	<b>13.56</b>
	<b>Total</b>		<b>663</b>	<b>663</b>	

**Source:** SERP data base in respect of Andhra Pradesh; NRLM data on the SHG-BLP in case of Madhya Pradesh and Odisha.

We can infer from Table 5.5 that more than half of the SHG members (51.73 per cent) are working as non-farm labourers, followed by farm-labourers (28.66 per cent) in the sample States. While Andhra Pradesh and Odisha reported to have higher proportion of non-farm labour in manufacturing, mining, and construction sectors, Madhya Pradesh has higher proportion of farm labour due to predominance of agriculture in the State economy. A little less than 6 per cent of the respondents are reported to have self-employment (petty business shop, cell phone shop, rearing of cattle/sheep, dairy, etc.) in the sampled States, while 13.73 per cent of the SHG members are unemployed (who might be housewives

and engaged in on-lending or utilising the loans for consumption purpose). Table 5.6 shows the level of education of SHG members.

**Table 5.5**  
**Occupation of SHG Members**

Sl. No.	Occupation	State			Total
		Andhra Pradesh	Madhya Pradesh	Odisha	
1.	Self-employed	16	7	16	<b>39</b> <b>(5.88)</b>
2.	Non-farm labour	145	70	128	<b>343</b> <b>(51.73)</b>
3.	Farm labour	7	124	59	<b>190</b> <b>(28.66)</b>
4.	Others	21	11	59	<b>91</b> <b>(13.73)</b>
<b>Total</b>		<b>189</b>	<b>212</b>	<b>262</b>	<b>663</b> <b>(100.00)</b>

Source: Field Survey (figures in brackets represent per cent).

**Table 5.6**  
**Education Level of SHG Members**

Sl. No.	Level of Education	Andhra Pradesh	Madhya Pradesh	Odisha	Total	per cent
1.	Illiterate	76	156	37	<b>269</b>	<b>40.57</b>
2.	Up to 5 <sup>th</sup> Standard	77	23	128	<b>228</b>	<b>34.38</b>
3.	Up to 10 <sup>th</sup> Standard	30	25	79	<b>134</b>	<b>20.20</b>
4.	Up to Intermediate	2	3	12	<b>17</b>	<b>2.56</b>
5.	Up to Degree	4	5	6	<b>15</b>	<b>2.29</b>
<b>Total</b>		<b>189</b>	<b>212</b>	<b>262</b>	<b>663</b>	<b>100.00</b>

Source: Field Survey.

It is clear from Table 5.6 that a substantial percentage of the respondents had no formal education. In the total sample, two-fifth (40.57 per cent) of the members are illiterate women. While a little over one-third (34.38 per cent) of SHG-women studied up to 5<sup>th</sup> standard, one-fifth (20.2 per cent) of the sample studied up to 10<sup>th</sup> standard. The level of

education of SHG members may have positive correlation with their financial literacy, banking habits, group management, and undertaking of income generating activities. Table 5.7 shows age profile of the SHG members.

**Table 5.7**  
**Age Profile of SHG Members**

Sl.No.	State/Age (Years)	20-30	31-40	41-50	51-60	Above 60	Total
1.	Andhra Pradesh	23	71	66	19	10	<b>189</b>
2.	Madhya Pradesh	47	113	46	5	1	<b>212</b>
3.	Odisha	31	70	81	70	10	<b>262</b>
	<b>Total</b>	<b>101</b>	<b>254</b>	<b>193</b>	<b>94</b>	<b>21</b>	<b>663</b>
		<b>Average Age (years)</b>					
1.	Andhra Pradesh (189)	43.22					
2.	Madhya Pradesh (212)	37.17					
3.	Odisha (262)	44.59					
	<b>3 States (n = 663)</b>	<b>41.83</b>					

**Source:** Field Survey.

It is observed from Table 5.7 that average age of the SHG members is 41.83 years. While it is observed that the minimum age of the SHG women is 20 years, the maximum age is 77 years. It is noticed that 31-40 age bracket (38.31 per cent) has the highest number of SHG-women followed by 41-50 age group (29.11 per cent). While the productive age is in between 31 and 60, the other age groups may not actively participate in income generating activities.

## CHAPTER 6

### ANALYSIS AND DISCUSSION

We collected primary data by administering a schedule with the 663 members of the SHGs in Andhra Pradesh (189), Madhya Pradesh (212) and Odisha (262). The schedule broadly covered the following themes:

- i) SHGs' access to credit on the income generating activities of the members in general and poverty alleviation in particular;
- ii) The main factors behind escalating non-performing assets (NPAs) of SHGs; *and*
- iii) The sustainability of SHGs.

A copy of the schedule administered with the SHG members is enclosed as **Annexure A** to this report. The following paragraphs explain the nature of questions in the schedule and the responses elicited from the SHG women.

#### 6.1 SHGs' Access to Credit and their Income Generating Activities

In order to understand maturity profile of SHGs, we asked a question related to the SHG members' years of association with the SHG itself. The longer the association of members with the SHG, the higher is the possibility of graduation from their poverty. The responses are captured in Table 6.1.1.

**Table 6.1.1**  
**SHG Members: Association with the SHG**

*(Figures in Percentage)*

Sl.No.	State/Years	1 to 3 years	> 3 & up to 5 years	> 5 & up to 7 years	> 7 & up to 10 years	Above 10 years	Total
1.	Andhra Pradesh	0.0	0.0	0.0	0.0	100.0	100
2.	Madhya Pradesh	41.5	35.8	6.6	9.0	7.1	100
3.	Odisha	8.8	5.3	8.8	16.8	60.3	100
4.	All 3 States	16.7	13.6	5.6	9.5	54.6	100

Source: Field Survey (n=663; out of which, AP = 189; MP = 212; Odisha = 262).

We can infer from Table 6.1.1 that overall, 70 per cent are associated for more than five years, which is a healthy sign. When the SHGs are older and matured, it would enable the members to access credit from the banks to undertake more income generating activities. In relative terms, the SHGs in Andhra Pradesh are older and matured as the entire sample respondents (100 per cent) have been associated with the SHG-BLP for more than 10 years. Even in case of Odisha, 85.9 per cent of the State sample is associated with SHG-BLP for beyond five years. However, more than three-fourth of the sample members of SHGs in Madhya Pradesh (77.3 per cent) are associated with the programme for less than five years. The above analysis indicates, to some extent, about the level of penetration of the SHG-BLP and the magnitude of financial inclusion in the respective States.

In order to know the number of loans availed by the SHG members so far, we asked a question in this regard. If the members avail more number of loans from the SHG-BLP, the higher the possibility of undertaking income generating activities. The responses are captured in Table 6.1.2.

**Table 6.1.2**  
**SHG Members: Number of Loans Availed**

*(Figures in Percentage)*

Sl.No.	State/No. of loans	1 loan	2 loans	3 loans	4 loans	More than 4 loans	Total
1.	Andhra Pradesh	9.5	32.3	27.0	15.3	15.9	100
2.	Madhya Pradesh	34.4	19.8	29.7	12.3	3.8	100
3.	Odisha	31.7	29.8	31.7	5.7	1.1	100
4.	All 3 States	26.2	27.3	29.7	10.6	6.2	100

**Source: Field Survey (n=663; out of which, AP = 189; MP = 212; Odisha = 262).**

It is found from Table 6.1.2 that a little over one-fourth of the sample population (26.2 per cent) received only one loan from the SHG-BLP. It is also observed that majority of the SHG members (83.2 per cent) availed up to three loans. Out of total 663 respondents, only one-sixth (16.8 per cent) received four *or* more than four loans (multiple doses of credit). Repeated loans reflect repayment behaviour of the clients as well as economic activities undertaken by them. While 58.20 per cent of the SHG women in AP obtained three or more bank loans, nearly two-fifth of the sample in Odisha (38.5 per cent) received three or more bank loans indicating the maturity level of the groups and penetration level of SHG-BLP in these States. It is worth mentioning here that Ms. Vijaya Bharati, founder of OMPLIS (Oravakal Mandal Podupu Lakshmi Ikya

Sangham), Kurnool, Andhra Pradesh observes that socio-economic welfare of the poor is generally visible when the members borrow funds from the SHG-BLP on consecutive basis.

In order to document the amount of loans availed by the SHG members during the last one year, we included a question in the schedule. The larger the amount of loans availed from the SHG-BLP, the higher the possibility of undertaking income generating activities thereby achieving better standard of living. The responses are captured in Table 6.1.3.

**Table 6.1.3**  
**SHG Members: Average Loan Amount Received during the Last One Year**  
*(Figures in Percentage)*

Sl.No.	Amount of loan/State	Andhra Pradesh	Madhya Pradesh	Odisha	All 3 States
1.	Not received any loan during the last one year	0.0	4.2	35.5	<b>15.4</b>
2.	Up to Rs. 20000	0.0	62.7	48.1	<b>39.1</b>
3.	Rs. 20001-30000	0.0	15.6	7.6	<b>8.0</b>
4.	Rs. 30001-40000	0.0	11.8	3.4	<b>5.1</b>
5.	Above Rs. 40000	100.0	5.7	5.4	<b>32.4</b>
<b>6.</b>	<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

**Source: Field Survey (n=663; out of which, AP = 189; MP = 212; Odisha = 262).**

We can see from Table 6.1.3 that nearly one-third (32.4 per cent) of the sample availed loans of above Rs. 40,000 from the SHG-BLP. It is interesting to note that all the members of SHGs in Andhra Pradesh availed average loan amount of above Rs. 40,000 from the banks. However, only 5.7 per cent in Madhya Pradesh and 5.4 per cent in Odisha availed average loan of above Rs. 40,000 in the sample. Higher loan amount is required to undertake economic activities, when compared to those of consumption purposes. As finance is an essential ingredient of economic development, higher loan amount may lead to establishment of nano/microenterprises. We found that while two-fifth (39.1 per cent) of the sample avail loans up to Rs. 20,000, majority of the SHG women in Madhya Pradesh (62.7 per cent) and Odisha (48.1 per cent) obtained average loan size of Rs. 20,000 or less. Surprisingly, 15.4 per cent of the sample population reported that they have not received any loan during the last one year from the SHG-BLP. This might be due to loan overdues of the SHG members at the time of our survey.

### **Box 6.1: Case Study 1-Rama Devi, Member of Sravanthi SHG, Kurnool, Andhra Pradesh**

Rama Devi, aged about 56 years, is a member of Sravanthi SHG from Shanthinagar village of Allagadda Mandal, Kurnool district. She proudly says that she has been a member of the SHG for the last 24 years and received financial, social and technical support. Her family had migrated from Guntur district and settled in Shanthinagar in early nineties. She says that with the active support received from the SHG, now she can afford to spend more on food, clothes, housing and healthcare for a better living. She availed a business loan of Rs. 6,00,000 last year from the SHG for manufacturing of jute bags and kitchen mats. She is also engaged in catering and marketing of food items like sweets and pickles along with other SHG women members from the same village. She received the necessary technical training from Miracle, an NGO, DRDA, VELUGU, Streenidhi, NRLM, etc. Now, Rama Devi is able to earn, on an average, Rs. 50,000 per month, got the identity and social recognition in the village, thanks to the SHG-BLP. She is happy as she stopped relying on local moneylenders after joining the SHG. More so, now she is in a position to lend money to others. She also said that the role of moneylenders is slowly declining in the villages after the advent of the SHG-BLP.



*Rama Devi along with members of Sravanthi SHG, Kurnool, Andhra Pradesh*

Further, in order to evaluate the services provided by the banks to the members, we asked a perception-based question in the schedule. Basically, we wanted to examine the services rendered by the banks, in respect of their assistance/guidance on deposits, loans, remittances, legal documentation, etc. The responses are captured in Table 6.1.4.

**Table 6.1.4**  
**Perception of Respondents on the Quality of Services in SHG-BLP**  
**(Figures in Percentage)**

Sl.No.	State/Response	Positive	Negative	No Response	Total
1.	Andhra Pradesh	98.9	0.0	1.1	<b>100</b>
2.	Madhya Pradesh	93.4	4.2	2.4	<b>100</b>
3.	Odisha	72.1	19.9	8.0	<b>100</b>
4.	<b>All 3 States</b>	<b>86.6</b>	<b>9.2</b>	<b>4.2</b>	<b>100</b>

**Source:** Field Survey (n=663; out of which, AP = 189; MP = 212; Odisha = 262).

It is observed from Table 6.1.4 that five out of every six respondents (86.6 per cent) of the sample from the three study States reported that the services are smooth and user-friendly in respect of the SHG-BLP. While majority of the members of SHGs in Andhra Pradesh and Madhya Pradesh are quite happy with the services provided by the banks, one-fifth of the respondents in Odisha expressed discontent about the financial services rendered by the banks. Hence, there is a need to improve the quality and user-friendly services in the banks, wherever necessary.

To understand the income generating capacity of the SHG members, we incorporated a question in the schedule whether they are able to meet their most basic needs like '*roti, kapada aur makaan*' (food, clothing and shelter) after joining the SHG-BLP. Primarily, we wanted to understand whether there is any positive change with regard to their access to food, clothes, and shelter which are the most basic needs of any human being. This question is important since the SHG model is mainly meant for below poverty line (BPL) families. The responses are captured in Table 6.1.5.

As per Table 6.1.5, we found that 87.3 per cent of the respondents across the three study States informed that they are able to satisfy their most basic and essential needs like *roti, kapada aur makaan* after joining the SHG-BLP, and this is a very healthy development from the policy perspective on poverty alleviation. However, 8.5 per cent of the SHG members are not able to improve their access to food, clothing and shelter even after

joining the SHG-BLP, which is a disturbing factor. Approximately, 95 per cent of the SHG members in Andhra Pradesh and Madhya Pradesh reported to have better access to basic and essential needs on account of the SHG-BLP. Roughly one-fifth of the respondents in Odisha (19.1 per cent) have not responded positively in this context, which is a cause for concern.

**Table 6.1.5**

**Access to the Most Basic Needs like ‘roti, kapada aur makaan’ after Joining the SHG**  
(Figures in Percentage)

Sl.No.	State/Response	Positive	Negative	No Response	Total
1.	Andhra Pradesh	95.8	0	4.2	<b>100</b>
2.	Madhya Pradesh	94.4	2.8	2.8	<b>100</b>
3.	Odisha	75.6	19.1	5.3	<b>100</b>
4.	All 3 States	<b>87.3</b>	<b>8.5</b>	<b>4.2</b>	<b>100</b>

Source: Field Survey (n=663; out of which, AP = 189; MP = 212; Odisha = 262).

### Box 6.2: Case Study 2-Sushma Mallik, Jagatsinghpur, Odisha



***Sushma Mallik with her Sewing Machine***

Sushma Mallik, aged 32 years, joined Jai Jagannath SHG in Naradia village, Jagatsinghpur district seven years ago. Prior to joining the SHG, she was not involving in any income generating activity. She used to depend on her husband for all expenses. By attending training programmes conducted by DRDA, she decided to buy a sewing machine for stitching clothes mainly women’s wear. Over a period of time, she availed three loans from the SHG-BLP. Now, she earns around Rs. 2500 to 3000 per month. She is quite happy with her current economic activities that she is engaged in. She states that now she is able to spend on daily expenses such as food, clothes, and education of her children without depending on her husband.

Also, we included a question in the schedule whether the SHG members are able to afford better healthcare after joining the SHG-BLP. Primarily, we wanted to understand whether there is any positive change with regard to their access to balanced diet, vitamins, nutrients, etc., after joining the SHG-BLP so that their productivity will be improved in their income generating activities. The responses are captured in Table 6.1.6.

**Table 6.1.6**  
**Affordability of Better Healthcare by SHG Members after Joining the SHG**  
**(Figures in Percentage)**

Sl.No.	State/Response	Positive	Negative	No Response	Total
1.	Andhra Pradesh	43.9	18.0	38.1	100
2.	Madhya Pradesh	89.2	6.6	4.2	100
3.	Odisha	71.8	22.5	5.7	100
4.	All 3 States	69.4	16.1	14.5	100

**Source:** Field Survey (n=663; out of which, AP = 189; MP = 212; Odisha = 262).

According to Table 6.1.6, it is found that 69.4 per cent of the sample reported that they are able to afford better healthcare after joining the SHG-BLP. It is a healthy sign from the point of view of the SHG-BLP since majority of the members in the study States are able to take care of their health by spending more on balanced diet, nutritious food, vitamin supplements, etc., and also see the doctor, if required. However, a significant proportion of the SHG members (16.1 per cent) are unable to afford better healthcare in spite of the financial support from the SHG-BLP and this situation is more pronounced in case of Odisha and Andhra Pradesh. Nearly, 38.1 per cent of the sample population in Andhra Pradesh kept silent in this regard, which needs further investigation. SHG women cannot take up economic activities if they fall sick, hence healthcare is essential. In order to know the income profile of SHG members before joining, we asked a question on their monthly income level. Higher monthly income levels indicate the respondents' continuous engagement in economic activities. The responses are captured in Table 6.1.7.

### **Box 6.3: Case Study 3-Rawethi, an SHG Member from Alirajpur, Madhya Pradesh**

Rawethi, aged about 28 years, is a tribal woman from Bada Vankhed, Sondwa block, Alirajpur district, Madhya Pradesh. Prior to becoming a member of the SHG, she was working as a daily wage labourer mainly in the agricultural fields for a living. After joining the SHG, she could complete her intermediate education. Later, she built a toilet at her home after realising its importance. She also pursued with the SHG members as well as other villagers to construct the toilets for them. Initially, it was very arduous for her to convince them in this regard. She believed that it was her responsibility to make other people to construct their toilets in the tiny tribal hamlet. Gradually, her work gained public attention and she was felicitated by the Chief Minister of Madhya Pradesh in July, 2017. Rawethi also purchased the required machinery for construction of toilets. While her husband supports Rawethi in this activity, she could earn an amount of Rs.1200 to 1500 per day. She states that her economic and financial needs have been met after joining the SHG and she has been invited as a master trainer for capacity building. She admired that the SHG-BLP has provided a platform to prove her organisational skills.



*Rawethi, along with other tribal women SHG members, in Bada Vankhed*

**Table 6.1.7**  
**Average Monthly Income of SHG Members Just before Joining SHG**  
**(Figures in Percentage)**

Sl.No.	Income / State	Andhra Pradesh	Madhya Pradesh	Odisha	All 3 States
1.	No income	3.2	3.7	0.4	<b>2.3</b>
2.	Rs. 001-500 per month	69.8	50.5	66.8	<b>62.4</b>
3.	Rs. 501-2000 per month	25.4	40.1	22.9	<b>29.1</b>
4.	Rs. 2001-5000 per month	0.5	5.2	8.8	<b>5.3</b>
5.	Rs. 5001-10000 per month	1.1	0.5	1.1	<b>0.9</b>
6.	Rs. 10001-15000 per month	0	0	0	<b>0</b>
7.	<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Field Survey (n=663; out of which, AP = 189; MP = 212; Odisha = 262).

We can understand from Table 6.1.7 that most of the members (91.5 per cent of the sample) reported that their average monthly income was in between Re. 1 and Rs. 2000 just before joining the SHG-BLP. More than half of the sample respondents in Madhya Pradesh, two-third in Odisha, and 70 per cent in Andhra Pradesh reported subsistence income level between Re. 1 and Rs. 500 per month. While 2.3 per cent of the SHG women reported nil income, around one per cent reported income of above Rs. 5,000 and up to Rs.10,000 per month. It is noticed that none of the respondents earn beyond Rs.10,000 per month before joining the SHG-BLP. Further, in order to compare the income profile of SHG members before and after joining the SHG, Table 6.1.8 is given below.

**Table 6.1.8**  
**Average Monthly Income of SHG Members after joining SHG**  
**(Figures in Percentage)**

Sl.No.	Income / State	Andhra Pradesh	Madhya Pradesh	Odisha	All 3 States	Change in per cent (diff. b/n Table 6.1.7 & 6.1.8)
1.	No income	3.2	0.9	0	<b>1.2</b>	<b>-1.1</b>
2.	Rs. 001-500 per month	28.6	17.9	8.4	<b>17.2</b>	<b>-45.2</b>
3.	Rs. 501-2000 per month	44.4	40.6	60.7	<b>49.6</b>	<b>20.5</b>
4.	Rs. 2001-5000 per month	19.6	32.1	22.9	<b>24.9</b>	<b>19.6</b>
5.	Rs. 5001-10000 per month	4.2	8.0	7.6	<b>6.8</b>	<b>5.9</b>
6.	Rs. 10001-15000 per month	0.0	0.5	0.4	<b>0.3</b>	<b>0.3</b>
7.	<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	
8.	<b>Per cent change in income level</b>	<b>176.2</b>	<b>176.5</b>	<b>160.1</b>	<b>169.3</b>	

Source: Field Survey (n=663; out of which, AP = 189; MP = 212; Odisha = 262).

We can understand from Table 6.1.8 that average monthly income level of respondents in all the three States increased substantially from Rs. 773 to Rs. 2,081 (169.3 per cent) after joining the SHG-BLP. While the respondents in Madhya Pradesh (176.5 per cent) and Andhra Pradesh (176.2 per cent) witnessed similar increase in the income level due to the SHG-BLP, Odisha (160.1 per cent) experienced slightly lower than those of other two States.

Also, we can infer from the last column of Table 6.1.8 that the SHG women (46.30 per cent of the sample) experienced positive transition due to the policy intervention of the SHG-BLP. It is observed that 6.2 per cent graduated to higher income interval of above Rs. 5,001 - 15,000 per month, thanks to the SHG-BLP and its livelihood promotion activities. However, 3.2 per cent respondents from Andhra Pradesh and around 1 per cent from Madhya Pradesh reported that they are not earning anything even after joining the SHG-BLP. This requires further probe.

In order to compare the expenditure level of the respondents on education of their children, before and after joining the SHG-BLP, we asked a question in this context. The

expenditure on children’s education reflects disposable income, absence of child labour, and investment in future as part of building their social security nets. The responses of the SHG members are captured in Table 6.1.9.

**Table 6.1.9**  
**Annual Expenditure of SHG Members with Respect to Education of their Children just before Joining SHG**  
**(Figures in Percentage)**

Sl.No.	Expenses / State	Andhra Pradesh	Madhya Pradesh	Odisha	All 3 States
1.	Reported no obligation for children’s education	7.9	12.3	27.1	<b>16.9</b>
2.	Up to Rs. 2000 per annum	86.3	34.4	63.0	<b>60.5</b>
3.	Rs. 2001-5000 per annum	5.3	36.3	6.1	<b>15.5</b>
4.	Rs. 5001-10000 per annum	0.0	14.2	2.3	<b>5.4</b>
5.	Rs. 10001-15000 per annum	0.5	1.9	1.5	<b>1.4</b>
6.	Rs. 15001-20000 per annum	0.0	0.9	0.0	<b>0.3</b>
<b>7.</b>	<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Field Survey (n=663; out of which, AP = 189; MP = 212; Odisha = 262).

From Table 6.1.9, we can deduce that majority of the sample members across all the three States (60.5 per cent) spent less than Rs. 2,000 per annum on their children’s education before joining the SHG-BLP. It is good to observe that 15.5 per cent of the total sample members reported that they used to spend Rs. 2,001-5,000 per year before joining the SHG-BLP. 16.9 per cent reported that they did not have any obligation to spend on their children’s education in all the three States. Similarly, more than one-fourth of the respondents in Odisha informed that they did not have any obligation to spend on their children’s education before joining the SHG. Perhaps, these women might not have school-going children before joining the SHG-BLP. Further, it appears that the respondents in Andhra Pradesh spend lower than their counterparts on their children’s education, before joining the SHG-BLP.

Later, in order to compare the expenditure level of the respondents on education of their children after joining the SHG, we enquired the SHG members in this regard and their responses are captured in Table 6.1.10.

**Table 6.1.10**  
**Annual Expenditure of SHG Members with Respect to Education of their Children after**  
**Joining SHG**  
**(Figures in Percentage)**

Sl. No.	Expenses/ State	Andhra Pradesh	Madhya Pradesh	Odisha	All 3 States	Change in per cent (diff. b/n Table 6.1.9 & 6.1.10)
1.	Reported no obligation for children's education	11.1	7.1	14.9	<b>11.3</b>	-5.6
2.	Up to Rs. 2000 per annum	34.9	13.2	38.9	<b>29.6</b>	-30.9
3.	Rs. 2001-5000 per annum	46.6	25.9	31.3	<b>33.9</b>	18.4
4.	Rs. 5001-10000 per annum	2.1	32.1	10.7	<b>15.1</b>	9.7
5.	Rs. 10001-15000 per annum	0.0	17.5	2.3	<b>6.5</b>	5.1
6.	Rs. 15001-20000 per annum	5.3	4.2	1.9	<b>3.6</b>	3.3
7.	<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	
8.	<b>Per cent change in expenditure</b>	<b>135.6</b>	<b>101.0</b>	<b>112.5</b>	<b>111.0</b>	

Source: Field Survey (n=663; out of which, AP = 189; MP = 212; Odisha = 262).

We can conclude from Table 6.1.10 that annual expenditure level of the respondents on their children's education increased phenomenally (111 per cent) after joining the SHG-BLP. More specifically, the expenditure of the SHG members on their children's education exceeded 100 per cent in each of the three States after joining the SHG-BLP. Andhra Pradesh topped the list with an increase of 135.6 per cent in this regard.

From the last column of Table 6.1.10, we can deduce that these SHG women (comprising 36.50 per cent of the sample) experienced positive transition due to the policy intervention of the SHG-BLP. One remarkable feature of the sample is that 5.6 per cent, after joining the SHG-BLP, started sending their children to school, which is a progressive step towards their socio-economic development. It is observed that one-third of the respondents spent between Rs. 2,001-5,000 per annum after joining the SHG-BLP. Further, it is heartening to note that over one-tenth of the total respondents are able to invest between Rs. 10,001 and Rs. 20,000 per annum for their children's golden future. It is evident that more than half of the respondents in Madhya Pradesh, realised the value of their children's higher education, and spend anywhere between Rs. 5,001 to Rs. 20,000 per annum after joining the SHG-BLP.

**Box 6.4: Case Study 4-Ramila, Member of SHG-BLP from Madhya Pradesh**

Ramila, aged about 35 years, is a tribal illiterate woman from Sondwa block of Madhya Pradesh. She has been a member of SHG for more than five years. After joining the SHG, she purchased a carrier truck (TATA ACE) with a loan of Rs. 2 lakh from the SHG-BLP. Before joining the SHG, she was working as a daily wage labourer and was earning too little to survive and run the family single-handedly as her husband was an alcoholic. After joining the SHG, she could attend the capacity building programmes conducted by DAY-NRLM, Madhya Pradesh. Now, her husband is working as driver of the truck owned by her. She also purchased an auto-rickshaw in the meantime and she is plying it on hire basis. Now, the couple is making a decent income of Rs. 1,500 per day from the above transport vehicles. Besides repaying the loans on time, she could save money for her future and invest in education of her two children. She felt that had she not joined the SHG, she would not have developed any awareness about finance and other aspects of life. She states with confidence that she earned a special recognition in her village as a successful entrepreneur.



*Ramila, SHG woman from Sondwa block of Madhya Pradesh*

Also, we included a question in the schedule whether the SHG members are able to purchase consumer durables after joining the SHG-BLP. Primarily, we wanted to understand whether there is any increased access to their lifestyle goods like cell phone, television, refrigerator, motor vehicles, etc. The responses are captured in Table 6.1.11.

**Table 6.1.11**

**SHG Members – Increasing Expenditure on Consumer Durables after Joining the SHG**  
(Figures in Percentage)

Sl.No.	State/Response	Yes	No	No Response	Total
1.	Andhra Pradesh	30.7	15.3	54.0	<b>100</b>
2.	Madhya Pradesh	76.4	11.8	11.8	<b>100</b>
3.	Odisha	39.3	48.5	12.2	<b>100</b>
<b>4.</b>	<b>All 3 States</b>	<b>48.7</b>	<b>27.3</b>	<b>24.0</b>	<b>100</b>

Source: Field Survey (n=663; out of which, AP = 189; MP = 212; Odisha = 262).

It is found from Table 6.1.11 that close to half of the respondents agreed that their current budget for consumer durables (like cell phone, television, refrigerator and vehicle) has been on increasing trend after joining the SHG. It is interesting to note that nearly three-fourth of the respondents from Madhya Pradesh and two-fifth of the sample population from Odisha gave an affirmative answer in this regard. This indicates that the SHG members exhibit aspirational lifestyle and their needs are changing in consonance with their income level after joining the SHG-BLP as per the Maslow's theory on hierarchy of needs. While roughly one-fourth of the sample kept silent in this context, 27.3 per cent disagreed with the view.

SHG model is synonymous with the savings. Unless the SHGs save and display financial discipline, credit linkage with the banks may not be possible. So, we wanted to understand the savings habit cultivated by the respondents after joining the SHG. The responses are shown in Table 6.1.12.

It is clear from Table 6.1.12 that in three study States, four-fifth of the sample respondents (80.7 per cent) are able to save, albeit in meagre amounts, thanks to the SHG-BLP model. However, one-fifth of the sample (19.30 per cent) reported nil savings even after joining the SHG-BLP, possibly due to their poor socio-economic conditions; more than half of the respondents from Andhra Pradesh reported nil savings, probably due to higher expenses compared to their income (as the income increases, expenditure also increases

due to aspirational lifestyle). It is observed that less than 2 per cent of the sample could save more than Rs. 1500 per month.

**Table 6.1.12**  
**Monthly Savings of Respondents after Joining the SHG**  
**(Figures in Percentage)**

Sl.No.	Savings/State	Andhra Pradesh	Madhya Pradesh	Odisha	All 3 States
1.	Reported nil savings	51.9	3.3	8.8	<b>19.3</b>
2.	Up to Rs. 500 per month	42.3	39.2	62.6	<b>49.3</b>
3.	Rs. 501-1000 per month	5.3	35.8	20.6	<b>21.1</b>
4.	Rs. 1001-1500 per month	0	18.9	6.1	<b>8.5</b>
5.	Above Rs. 1500 per month	0.5	2.8	1.9	<b>1.8</b>
<b>6.</b>	<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Field Survey (n=663; out of which, AP = 189; MP = 212; Odisha = 262).

## 6.2 Main Reasons behind the Growth of NPAs in SHG-BLP

Further, as we wanted to know the end-use of the loans given to the respondents from the SHG-BLP, a question was asked in this regard. End-use of loans mostly determines the asset quality or repayment of loans to banks. The responses are provided in Table 6.2.1.

**Table 6.2.1**  
**The End-uses of Loans taken by Respondents from SHG-BLP**

Sl. No.	Purpose/End use of Loan	Overall Per cent (per cent)	Rank
1	Medical emergency/healthcare	36.9	1
2	Household/personal consumption	36.8	2
3	Agriculture	35.9	3
4	Rearing of cattle	34.5	4
5	Children's education	30.7	5
6	Repayment of past loans	25.5	6
7	Marriage and other social functions	21.5	7
8	House construction	20.5	8
9	Petty business shop	17.3	9

Source: Field Survey (n=663; out of which, AP = 189; MP = 212; Odisha = 262).

We can notice from Table 6.2.1 that majority of the respondents utilised the loans for healthcare/hospital expenses (36.9 per cent), household consumption (36.8 per cent), agricultural activities (35.9 per cent), cattle rearing (34.5 per cent) and children's education (30.7 per cent) in that order. Roughly one-fourth of the SHG members informed that they repaid their past loans, and one-fifth spent for marriage and other social functions. Sometimes, the poor sources multiple loans, including from local moneylenders, which are high cost borrowings. As such, repayment of high cost debt results in great relief for the rural masses through the SHG-BLP, which is a low cost financing model. While close to one-fifth of the respondents built houses with the financial assistance from the SHG-BLP, only 17.3 per cent of the SHG members started petty business shops. From the above analysis, it is understood that the SHG women give top priority to their healthcare, household consumption and agriculture as most of them are living in villages. Besides, these are essential items of expenditure to improve their socio-economic well-being.

We also wanted to evaluate performance of the SHG-BLP by examining the economic/income generating activities undertaken by the respondents. The economic activities such as cattle rearing, petty kirana shop, cell phone stores, etc., are very crucial for repayment of bank loans for the SHG women. Since some of the SHG women may utilise the bank loans for non-economic activities or consumption purposes, they may not be able to repay and consequently these loans will be downgraded as NPAs. The responses are given in Table 6.2.2.

**Table 6.2.2**

**SHG Members – Undertaking of Economic Activities after Joining SHG-BLP**

**(Figures in Percentage)**

Sl. No.	State / Response	Yes	No	No Response	Total
1.	Andhra Pradesh	51.3	10.1	38.6	<b>100</b>
2.	Madhya Pradesh	84.9	9.9	5.2	<b>100</b>
3.	Odisha	78.2	12.6	9.2	<b>100</b>
<b>4.</b>	<b>All 3 States</b>	<b>72.7</b>	<b>11.0</b>	<b>16.3</b>	<b>100</b>

**Source:** Field Survey (n=663; out of which, AP = 189; MP = 212; Odisha = 262).

It is observed from Table 6.2.2 that around three-fourth (72.7 per cent) of the SHG members in the study States reported that they are able to undertake economic activities like cattle rearing, petty business shop, cell phones stores, etc., after joining the SHG-BLP. As majority of the respondents established nano/microenterprises from the financial assistance extended by the SHG-BLP, eventually income generation and capital formation would take place. However, it is noticed that 11 per cent of the SHG members in these

three States have not undertaken any income generating activity which indicates that they might have utilised the loans for medical emergency, household consumption, marriage purpose, etc., or these SHG women might have invested in their children’s education, and house construction. Viewed it from a different perspective, they might not have started any nano/microenterprise due to lack of proper guidance and not having any technical/managerial/marketing skills. So, there is a need to scale up the capacity building programmes for the SHG members so as to enable them to undertake income generating activities with confidence. A case in point is MFIs in Bangladesh offer ‘Credit Plus’ package services to the micro finance borrowers, offering not just credit but capacity building too. It is worth mentioning here that the principal investigator of the project made an exposure visit during September, 2018 to MFIs like Grameen Bank, BRAC, etc., in Bangladesh. A copy of the tour report to Bangladesh is enclosed as **Annexure D**.

As we wanted to know the adequacy level of the loans extended to the respondents from the SHG-BLP to undertake any economic activity, a question was asked in this regard. Basically, we wanted to know whether the loans are used by the SHG members to establish microenterprises or utilised for their consumption purposes. The response for this question also helps us to understand about the assessment quality of the banks while financing the SHGs to undertake economic activities. The results are provided in Table 6.2.3.

**Table 6.2.3**  
**Adequacy Level of Loans Received from the SHG-BLP to Undertake any Economic Activity**

(Figures in Percentage)

Sl. No.	State / Response	Yes	No	No response	Total
1.	Andhra Pradesh	61.9	2.6	35.5	100
2.	Madhya Pradesh	79.7	16.0	4.3	100
3.	Odisha	50.0	44.3	5.7	100
4.	<b>All 3 States</b>	<b>62.9</b>	<b>23.4</b>	<b>13.7</b>	<b>100</b>

Source: Field Survey (n=663; out of which, AP = 189; MP = 212; Odisha = 262).

It is revealed from Table 6.2.3 that 62.9 per cent of the respondents felt that the loan amount from the SHG-BLP is sufficient to undertake economic activities. However, one-fourth (23.4 per cent) of the sample respondents reported that the loan amount is not sufficient to engage themselves in any income generating activity. 44.3 per cent of respondents from Odisha gave a negative reply in this regard. 13.7 per cent of the entire

sample and 35.5 per cent of the SHG members in Andhra Pradesh did not respond as they might be unaware about the adequacy level of the investment or they might not have thought of starting any enterprise at all. Nevertheless, the above findings may act as right feedback for the bankers with regard to underfinancing through the SHG-BLP.

**Box 6.5: Case Study 5-Maa Tharani SHG, Talagoan village,  
Jagatsinghpur District, Odisha**

Maa Tharani SHG from Talagoan village, Baramundali Block, Jagatsinghpur district, has been inactive for the last seven years as they have overdue of over Rs. 30 lakh (consisting of principal and interest thereon). The group members decided to establish a dairy business by availing the loan from the SHG-BLP. They availed the loan, constructed a cattle shed and wanted to buy the milch cows. However, the loan amount they received from the bank was not sufficient for the purpose and the members could not meet the deficit amount. They could not get help even from other sources and hence they were unable to commence the business. In fact, the members spent all the money for construction of cattle shed only. So, their project got stuck half way and the loan had become sticky in the books of bank accounts. Now, they are struggling to repay the loan and make the group active. But the banks are not ready to help the SHG unless they repay the previous loan.



*Members of Maa Tarani SHG, Jagatsinghpur, Odisha*

Further, we incorporated a question in the schedule whether the respondents repaid the loans taken from the SHG-BLP in the recent past. Through this question, we wanted to know the repayment behaviour of the SHG women in the sample States. The responses are captured in Table 6.2.4.

**Table 6.2.4**  
**Repayment of SHG-BLP Loans by the Respondents**  
**(Figures in Percentage)**

Sl. No.	Response/State	Andhra Pradesh	Madhya Pradesh	Odisha	All 3 States
1.	Yes	6.3	27.4	11.1	14.8
2.	No	93.7	71.7	87.8	84.5
3.	Not received any loan in recent past	0.0	0.9	1.1	0.7
4.	<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Field Survey (n=663; out of which, AP = 189; MP = 212; Odisha = 262).

It is revealed from Table 6.2.4 that 84.5 per cent of the respondents have not repaid the loans taken from the SHG-BLP as per the repayment schedule. Andhra Pradesh and Odisha accounted for major portion of the loan defaulters. Over one-fourth of the SHG members in Madhya Pradesh (27.4 per cent) informed that they repaid the loans within the stipulated time.

Besides, we asked a question whether the respondents repaid the loans taken from the banks under NRLM in the recent past. Through this question, we wanted to know the repayment behaviour of the SHG women towards government schemes in the sample States. The responses are captured in Table 6.2.5.

It is found from Table 6.2.5 that 45.7 per cent of the SHG members have not repaid the loans taken from the SHG-BLP-NRLM in the recent past. Madhya Pradesh and Andhra Pradesh accounted for major portion of the loan defaulters to NRLM. During our interaction with the SHG women, it is reported that most of the defaulting members received the above loans before 2012 as part of the SGSY scheme, wherein the government subsidy component was there in the loans sanctioned. This could be the trigger point for the SHG members for non-repayment of the loans taken from the SHG-BLP-NRLM scheme since the borrowers might have thought that the entire loan amount was subsidised. Hence, the lesser the government's intervention in grant of loans to the SHGs, the better it would have been the recovery scenario.

**Table 6.2.5**  
**Repayment of SHG-BLP-NRLM Loans by the Respondents**  
**(Figures in Percentage)**

Sl. No.	Response/State	Andhra Pradesh	Madhya Pradesh	Odisha	All 3 States
1.	Yes	3.7	21.2	11.1	12.2
2.	No	63.0	76.9	8.0	45.7
3.	Not received any loan in the recent past	33.3	1.9	80.9	42.1
4.	<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Field Survey (n=663; out of which, AP = 189; MP = 212; Odisha = 262).

Later, we asked a question for how long the respondents have not repaid the loans taken from the SHG-BLP. Through this question, we wanted to analyse the age profile of NPAs in the sample States. The responses are captured in Table 6.2.6.

**Table 6.2.6**  
**Bank Loans to SHG Members - Overdue in Terms of Months**  
**(Figures in Percentage)**

Sl. No.	Period of Due /State	Andhra Pradesh	Madhya Pradesh	Odisha	All 3 States
1.	Not applicable/reported no dues	0.0	0.0	6.9	2.7
2.	Up to 3 months	4.2	40.6	1.5	14.8
3.	> 3-12 months	7.9	39.6	15.6	21.1
4.	> 12-24 months	23.3	8.0	23.3	18.4
5.	> 24-36 months	8.5	2.4	8.8	6.6
6.	Above 36 months	56.1	9.4	43.9	36.4
7.	<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Field Survey (n=663; out of which, AP = 189; MP = 212; Odisha = 262).

It is found from Table 6.2.6 that 61.4 per cent of the loans are chronic NPAs (loans that are overdue beyond 12 months) across the three study States in the SHG-BLP. It is observed that 36.4 per cent of the total respondents admitted that they have loan overdue for beyond 36 months; basically, these are loss assets in the books of banks, which may be written off as there is a very little chance of recovery. It is observed that a substantial proportion

of sample respondents from Andhra Pradesh (56.1 per cent) and Odisha (43.9 per cent) have not repaid the loans received from the SHG-BLP (in the above 36 months category). However, it is good to see that 6.9 per cent of the respondents from Odisha reported that they did not have any overdue in the SHG-BLP. Similarly, over two-fifth of the SHG-women in Madhya Pradesh (40.6 per cent) reported that they had overdue for less than three months. In view of the above, banks may interact with the SHG borrowers and organise recovery campaigns to work out an amicable solution/rephasing/restructuring of loans, if possible.

Further, we wanted to know the amount of overdue/NPAs in SHG-BLP in the sample States. The responses are captured in Table 6.2.7.

**Table 6.2.7**  
**Amount of Overdue of Respondents in SHG-BLP**  
**(Figures in Percentage)**

Sl. No.	Due / State	Andhra Pradesh	Madhya Pradesh	Odisha	All 3 States
1.	Not applicable/ reported no dues	0.0	0	6.9	2.7
2.	Up to Rs. 20000	40.2	54.3	59.5	52.3
3.	Rs. 20001-40000	40.2	31.1	24.4	31.1
4.	Rs. 40001-60000	15.4	10.8	2.3	8.8
5.	Rs. 60001 – 80000	4.2	3.8	6.9	5.1
6.	<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
7.	<b>Average loan overdue (Rs.)</b>	<b>26,720</b>	<b>22,830</b>	<b>19,237</b>	<b>22,519</b>

Source: Field Survey (n=663; out of which, AP = 189; MP = 212; Odisha = 262).

It is noticed from Table 6.2.7 that average overdue loan amount is Rs. 22,519 for all the three study States. While Andhra Pradesh had the highest average loan overdue (Rs. 26,720), Odisha had the lowest average loan overdue (Rs. 19,237). It is also observed that more than half of the sample population (52.3 per cent) reported overdue of up to Rs. 20,000, followed by Rs. 20,001- 40,000 category of overdue (31.1 per cent). 2.7 per cent of the respondents did not have any overdue to the banks and it is interesting to see that all these women belong to Odisha. One-seventh of the respondents (13.9 per cent) reported overdue between Rs.40,001 - 80,000. However, it is noticed from the data that the repayment behaviour of the SHG women, especially in Andhra Pradesh, is not encouraging.

Though the GNPA of the SHG-BLP stood at 1.36 per cent for the entire India in the FY 2005-06, gradually they peaked to a record high of 7.40 per cent in the FY 2014-15 and later marginally reduced to 6.12 per cent as on March 31, 2018. In absolute volume, GNPA reached a huge amount of Rs. 4,628 crore as on March 31, 2018. In view of the above, we wanted to understand the main factors behind this phenomenon. The responses of the SHG members are captured in Table 6.2.8.

We can notice from Table 6.2.8 that majority of the respondents cited other reasons, i.e., poor economic conditions (56.3 per cent), non-cooperation/non-repayment by other members of the SHG (48.4 per cent), expenses towards marriage/ceremony, medical emergency, etc., (42.1 per cent) and expectation of loan waiver from the government (35.9 per cent) in that order, as the main factors behind the unhealthy growth of NPAs. It is found that 56.3 per cent of the SHG members reported that they are economically poor and hence, they are unable to repay the loans on time. Poor economic conditions are very much prevalent among the SHG women defaulters in Madhya Pradesh and Andhra Pradesh. It is common knowledge that the poor economic conditions of the SHG women leads to migration to urban areas in search of livelihoods. As such, there are overdue from these SHG women turned migrant labourers. It is observed that other group members repay the overdue on behalf of the migrant members on few occasions, but cannot do so every time.

During the field study, it is observed that the SHG women have multiple sources of credit facilities from banks, MFIs, moneylenders, friends, and relatives. According to the survey, one-fourth (25.5 per cent) of the sample informed that they replaced their past (usually high cost) borrowings by availing loans from the SHG-BLP. As such, the SHG women shifted from informal sources of credit to formal sources of credit to pull themselves out of vicious cycle of poverty (Refer Table 6.2.1).

It is noticed from the responses received from the total 663 SHG members that around half of the women (48.4 per cent) reported of having overdue because of the non-cooperation and/or non-repayment of loans by other members in the group. It was revealed during the discussions that the cooperation among the members is good during the initial phase (formation stage) of the SHG-BLP; however, the spirit of cooperation fades away slowly once the loan is disbursed to the group. It is observed in some instances that only the group leaders are availing the bank loans on behalf of the group and the other members are kept in dark in this regard. In a few cases, it is noticed that a single member in the group availed more than half of the loan amount (with the consent of other members) and

**Table 6.2.8**  
**Main Reasons behind the Overdue in SHG-BLP**  
*(Figures in Percentage)*

Sl. No.	Reason	Andhra Pradesh		Madhya Pradesh		Odisha		All 3 States	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Expenses towards marriage/ceremony/ medical emergency, etc.	17.5	82.5	84.0	16.0	26.0	74.0	42.1	57.9
2	Natural disasters like drought, cyclone, floods, earthquake, etc.	3.7	96.3	41.5	58.5	39.0	61.0	29.7	70.3
3	Expectation of loan waiver from the government	69.3	30.7	25.5	74.5	20.2	79.8	35.9	64.1
4	Family disputes/ misunderstanding among members of the family with regard to financial matters	46.6	53.4	18.4	81.6	17.5	82.5	26.1	73.9
5	Lack of proper follow-up from banks	28.0	72.0	27.8	72.2	21.7	78.3	25.5	74.5
6	Multiple sources of borrowings	24.9	75.1	12.7	87.3	3.8	96.2	12.7	87.3
7	Higher interest rates	24.9	75.1	36.8	63.2	1.2	98.8	19.3	80.7
8	Non-cooperation/non-repayment by other members of the SHG	83.1	16.9	20.7	79.3	45.8	54.2	48.4	51.6
9	Death/Migration of member(s) of SHG to other areas	28.6	71.4	13.7	86.3	10.7	89.3	16.7	83.3
10	Poor economic conditions of the SHG members	59.8	40.2	68.9	31.1	43.5	56.5	56.3	43.7

Source: Field Survey (n=663; out of which, AP = 189; MP = 212; Odisha = 262).

when she does not repay, all other members are treated as defaulters. It is noticed that non-cooperation was a major concern in case of the SHG-women defaulters in Andhra Pradesh and Odisha.

**Box 6.6: Case Study 6-Gayathri SHG, Allagadda, Kurnool, Andhra Pradesh**

This SHG is located in Perayapalle village of Allagadda Mandal, Kurnool district, Andhra Pradesh. Though the group was formed 15 years ago, the SHG has been inactive for the last 10 years. The group activities such as regular meetings, savings, loan repayment, etc., were a matter of history. The group has total overdue of Rs.5 lakh with the bank. It was revealed during the interaction with the SHG members that they could not repay the loans due to non-cooperation among themselves. The group leader was availing loans without the knowledge of other SHG members. The members of the SHG informed that the group leader and her husband have political connections and they are expecting a loan waiver from the government.

Further, it is found that 84 per cent of the SHG members from Madhya Pradesh agreed that expenses towards marriages, ceremonies, and medical emergencies are the principal reason for non-repayment of loans to banks. Perhaps, the women SHG members in Madhya Pradesh tend to spend more for marriages and other social functions. Further, 35.9 per cent of the SHG members reported that expectation of loan waiver from the government is the major reason behind NPAs in the SHG-BLP. Nearly 70 per cent of the SHG members from Andhra Pradesh cited this reason behind the bad loans.

The SHG women mentioned that natural disasters (29.7 per cent), family disputes (26.1 per cent) and lack of proper follow-up from banks (25.5 per cent) as major reasons behind the NPAs. Family disputes can be seen as the rows/quarrels among wife, husband and mother-in-law, etc. The SHG women may face rough weather, when some members of their family do not cooperate with them, especially in financial matters.

From the data, it is understood that close to two-fifth of the respondents each from Odisha and Madhya Pradesh cited natural disasters like drought, cyclone and floods for the escalating NPAs. However, all the sampled States are prone to natural calamities which

affect the agricultural income directly and other activities indirectly in the rural areas resulting in loan defaults to banks. Contrary to the popular belief, nearly one-fourth of the SHG members (25.5 per cent) agreed that lack of proper follow-up from the banks as one of the main reasons for their slackness in repayment of loans.

Only 19.3 per cent of the respondents felt that the loans in the SHG-BLP are provided relatively at higher interest rates. It was revealed during the discussions with the SHG members that they resort to multiple sources of borrowings because of easy availability of the loans but not because of their actual needs! As such, multiple borrowings and death/migration of SHG members received muted response.

Further, we wanted to know the willingness of the SHG borrowers to repay the loans from the SHG-BLP in the sample States. Primarily, we wanted to know whether the SHG women wanted to avail another loan/higher loan by repaying overdue, in order to improve their family income. The responses are provided in Table 6.2.9.

**Table 6.2.9**

**Opinion of SHG Members - Willingness to Repay the Loans to Avail Another Loan  
(Figures in Percentage)**

Sl. No.	State/Response	Yes	No	No response	Total
1.	Andhra Pradesh	97.4	1.0	1.6	<b>100</b>
2.	Madhya Pradesh	97.2	1.9	0.9	<b>100</b>
3.	Odisha	81.3	9.9	8.8	<b>100</b>
<b>4.</b>	<b>All 3 States</b>	<b>91.0</b>	<b>4.8</b>	<b>4.2</b>	<b>100</b>

**Source:** Field Survey (n=663; out of which, AP = 189; MP = 212; Odisha = 262).

From the survey, it is found that 91 per cent of the respondents are interested to avail a new loan by repaying the old loan. If the SHG members are properly motivated and appraised about the consequences of being defaulters, recovery position may be improved. The above data reflect that rural Indian poor households are shifting their focus from ‘capital’ (i.e., savings) to ‘finance’ to create assets or to engage in income generating activities.

Also, we wanted to know whether the borrowers have been guided properly to repay the loans from the SHG-BLP in the sample States. Primarily, we wanted to know whether the SHG women are aware of the consequences of loan defaults to the banks. The responses are provided in Table 6.2.10.

**Table 6.2.10****Need for Credit Counseling to SHG Members about the Consequences of Default to Banks  
(Figures in Percentage)**

Sl. No.	State / Response	Yes	No	No response	Total
1.	Andhra Pradesh	57.7	38.6	3.7	<b>100</b>
2.	Madhya Pradesh	79.7	18.9	1.4	<b>100</b>
3.	Odisha	28.6	67.6	3.8	<b>100</b>
<b>4.</b>	<b>All 3 States</b>	<b>53.2</b>	<b>43.8</b>	<b>3.0</b>	<b>100</b>

Source: Field Survey (n=663; out of which, AP = 189; MP = 212; Odisha = 262).

It is found from Table 6.2.10 that more than half of the sample reported that they have not been advised properly about the consequences of default to the banks; otherwise, they would have repaid the loans somehow. Hence, policymakers of the SHG-BLP need to emphasise on the need for credit counseling to the (financially) illiterate poor members. This may yield better results in the long run.

### 6.3 Sustainability of the SHG-BLP

Finally, we wanted to evaluate sustainability of the SHG-BLP by documenting the perceptions of the borrowers whether they follow '*pancha sutras*' while operating the SHGs in the sample States. The responses are provided in Table 6.3.1.

It is seen from Table 6.3.1 that more than three-fifth of the respondents expressed satisfaction about the handholding support from the NGO/SHPIs and maintenance of proper records. Similarly, more than half of the SHG women affirmed that they conduct meetings at regular intervals. Slightly less than half of the respondents mentioned that they save regularly in SHGs. However, in case of regular repayment of loans, internal lending and rotation of leadership positions, majority of SHG members gave a negative answer. In fact, irregular internal lending results in fewer economic activities and generation of lower income and ultimately leads to NPAs. Similarly, non-rotation of leadership positions of SHGs (namely president, secretary, and treasurer) will lead to concentration of power and dominance of certain class/group members in the SHG which will defeat its purpose. The SHGs can become 'Self-Help' groups if they follow the above activities in toto.

**Table 6.3.1**  
**Perceptions of Respondents on Sustainability of SHG-BLP**  
**(Figures in Percentage)**

Sl. No.	Activity/Response	Andhra Pradesh		Madhya Pradesh		Odisha		All 3 States	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Regular meetings	6.9	93.1	75.5	24.5	67.6	32.4	<b>52.8</b>	<b>47.2</b>
2	Regular savings	5.3	94.7	66.0	34.0	57.6	42.4	<b>45.4</b>	<b>54.6</b>
3	Regular internal lending	5.8	94.2	37.8	62.2	35.5	64.5	<b>27.8</b>	<b>72.2</b>
4	Regular repayment of loans	6.3	93.7	26.0	74.0	37.4	62.6	<b>24.9</b>	<b>75.1</b>
5	Regular record-keeping	42.3	57.7	77.8	22.2	59.5	40.5	<b>60.5</b>	<b>39.5</b>
6	Regular rotation of positions	44.5	55.5	19.3	80.7	24.4	75.6	<b>28.5</b>	<b>71.5</b>
7	Regular handholding support from NGO/SHPIs	68.3	31.7	44.8	55.2	76.0	24.0	<b>63.8</b>	<b>36.2</b>

**Source:** Field Survey (n=663; out of which, AP = 189; MP = 212; Odisha = 262).

The five-stage model of group development namely forming, storming, norming, performing and adjourning was proposed by Bruce Tuckman. The groups go through these five stages of group development during their life cycle (Tuckman, B. W., 1965; Tuckman, B. W., & Jensen, M. A. C., 1977). There may be a void in sustainability for those SHGs that do not go through the stages of forming, storming and norming. This is evident from some of the SHGs located in North, Central and North Eastern regions of India, wherein the SHGs get dis-integrated slowly after receiving loans from the banks. It is noticed from the responses received from the SHG members, around half of the women (48.4 per cent) reported that they had overdues because of the non-cooperation and non-repayment of loans by other members in the group. It was revealed during the discussions that the cooperation among the members is good during the initial phase (formation stage) of the SHG – BLP; however, the spirit of co-operation fades away slowly once the loan is disbursed to the group (refer Table no. 6.2.8 of the report for details).

**Box 6.7: Case Study 7-Siddeswara SHG, Keshirida, Jagatsinghpur, Odisha**

Maintenance of poor records is an issue for many SHGs as well as for the banks in the SHG-BLP. In the absence of proper records, SHGs would not get credit rating; so banks may not be in a position to enhance credit limits to them. Siddeswara SHG was formed in 2008 and has been inactive for the last seven years due to non-cooperation among its members. The members of SHG have overdue of Rs. 16,000 as per the bank's records. For many years, there were no regular meetings and consequently there were no savings. This situation led to poor record-keeping of the SHG. Now, the SHG women are clueless about the overdues with the bank as they do not have proper records to verify from their side. Hence, there is every need to uphold *pancha sutras* of SHGs: i) regular meetings, ii) regular savings, iii) regular internal lending, iv) regular repayment of loans, and v) regular record-keeping. Perhaps, EShakti can be an answer to the SHGs' problems.



*Members of Siddeswara SHG, Odisha*

#### 6.4 How SHG-BLP Broke Age-old Myths?

Sl. No.	Age-old Myths	Demystification of the Myths
1.	The poor can't save money.	More than four fifth of the SHG women in our study states demystified this myth by saving anywhere from Rs.500/- to above Rs.1500/- per month (refer Table no.6.1.12 of the report for details).
2.	The poor borrow from banks only when interest rates are low.	NABARD conducted various studies to deliver a viable financial model for the Indian rural credit system. It was revealed in the studies that the poor needs better access to adequate, timely and suitable financial products and services rather than cheap credit. Only 19.3 per cent of the respondents felt that the loans in the SHG – BLP are provided relatively at higher interest rates (refer Table no.6.2.8 of the report for details).
3.	Banking operations can happen only in the premises of formal banks/financial institutions which are equipped with manpower and proper infrastructure facilities.	It is clear from our field visits and focus group discussions that SHG women do transact with banks at community centers, which are located outside the premises.
4.	Bank accounts are meant for individuals only but not for the group.	Loans in the SHG-BLP are given to group members as a whole, but not individuals (refer Table no.2.1 of the report for details).
5.	Recovery of loans from the poor is difficult and thus they are not bankable.	Though the SHG-BLP was started as a 'Zero non performing asset (NPA) movement', bad loans have been increased in the recent past due to various reasons. However, the recovery rate in certain regions such as South India, East India are fairly better when compared to other regions (refer Table no.2.3 of the report for details).
6.	The banks lend only to the Rich.	Nearly two third of the SHG women in our study states broke this myth by receiving loans from banks though their average monthly income was less than Rs.500/- before joining SHG-BLP (refer Table no.6.1.7 of the report for details).

7.	When it comes to banking transactions, women cannot take decisions and they do not have any role to play.	Considerable number of SHG women confirmed that they follow ‘Pancha Sutras’ (regular meetings, savings, internal lending, repayment of loans, and record keeping) as part of their group activity (refer Table no.6.3.1 of the report for details).
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**Source: “Impact of SHG-enabling model of microfinance towards poverty reduction, n.d.; “Beyond Micro Credit, Putting Development Back into Micro-Finance”, 2002.**

### 6.5 Responses of Stakeholders of SHG-BLP

As already stated, primary data on perceptions of 58 stakeholders, namely bankers, NGOs and respective government department officials were collected with regard to the SHG-BLP. Understanding the SHG-BLP from the users (SHG women) and stakeholders (bankers, office-bearers of SHG federations) offer valuable perspectives not just about its asset quality but about its sustainability too. A copy of the schedule administered with the SHG members is enclosed as **Annexure B** to this report. Occupation profile of the stakeholders is given in Table 6.5.1.

**Table 6.5.1**  
**Occupation Profile of Stakeholders of SHG-BLP**

Sl. No.	Occupation of the Stakeholders	Frequency	per cent
1	Line Department officials from respective State governments in AP, MP and Odisha	10	17.24
2	Loan Officers in Commercial Banks	45	77.58
3	Officials from Society for Elimination of Rural Poverty (SERP)	3	5.17
	<b>Total</b>	<b>58</b>	<b>100.00</b>

**Source: Field Survey, (n=58).**

It may be seen from Table 6.5.1 that majority of the stakeholders who responded to our questionnaire are bankers (77.58 per cent). As the SHG-BLP is linked to primarily to the banks, bank officers are the main stakeholders in this context.

The following paragraphs/Tables explain the responses received from the stakeholders of the SHG-BLP. We documented the reasons behind the growing NPAs by posing a question to the bankers and other stakeholders in Table 6.5.2.

**Table 6.5.2**  
**Reasons for Overdue in SHG-BLP-Views of Stakeholders**  
**(Figures in Percentage)**

Sl. No.	Reasons for overdue	Response in Percentage	
		Yes	No
1	Expenses towards marriage/ceremony/medical emergency, etc.	67.2	32.8
2	Natural disasters like drought, cyclone, floods, earthquake, etc.	37.9	62.1
3	Expectation of loan waiver from the government	77.6	22.4
4	Family disputes/ misunderstanding among members of the family with regard to financial matters	60.3	39.7
5	Lack of proper follow-up from banks	27.6	72.4
6	Multiple sources of borrowings	48.3	51.7
7	Higher interest rates	12.1	87.9
8	Non-cooperation/Non-payment by other members of the SHG	72.4	27.6
9	Death/ Migration of member(s) of SHG to other areas	79.3	20.7
10	Poor record-keeping	43.1	56.9
11	Financial Illiteracy	41.4	58.6

**Source: Field Survey, (n=58).**

According to the stakeholders’ view, death/migration of SHG members is the major reason for overdue in the SHG-BLP. Expectation of loan waiver (77.6 per cent), non-cooperation from the group members (72.4 per cent), expenditure towards non-economic activities (67.2 per cent) and family problems (60.3 per cent) are other main factors behind the growth of NPAs in the SHG-BLP. Nearly half of the respondents voted for ‘multiple sources of loans’ as one of the main reasons behind the NPAs. Some respondents reported that poor record-keeping (43.1 per cent), financial illiteracy (41.4 per cent) and natural disasters (37.9 per cent) contributed to NPAs in the SHG-BLP.

Further, we wanted to understand the level of peer pressure in the SHGs while repaying loans to banks. The responses are shown in Table 6.5.3.

**Table 6.5.3**  
**Inadequacy of Peer Pressure among the Members of**  
**SHGs while Repaying the Bank Loans**

Response	Strongly Agree	Agree	No response	Disagree	Strongly Disagree
Per cent (%)	10.4	53.4	10.4	17.2	8.6

Source: Field Survey, (n=58).

It is evident from the data in Table 6.5.3 that nearly two-third (63.8 per cent) of the total 58 respondents reported that peer pressure is not adequate among the group members in respect of repayment of loans. So, there is a need to cultivate peer pressure among the members for better banking habits and recovery of loans.

In the next question, we wanted to know whether the training given by the SHPIs to the SHG members play an important role in repayment of bank loans. The responses are given in Table 6.5.4.

**Table 6.5.4**  
**Repayment Behaviour of SHG members – Role of Training Given by SHPIs**

Response	Strongly Agree	Agree	No response	Disagree	Strongly Disagree
Per cent (%)	15.5	44.8	5.2	18.9	15.6

Source: Field Survey, (n=58).

Majority of the respondents (60.3 per cent) felt that the training given by SHPIs/NGOs is not adequate and hence there is a need to rev up the training and capacity building in this regard. In order to cultivate proper repayment behaviour among the SHG women, special training on morals and business ethics may be imparted.

Later, we asked about the level of financial literacy among the SHG members, as bankers are better placed to assess them in this regard. The responses are given in Table 6.5.5.

**Table 6.5.5**  
**Presence of Inadequate Level of Financial Literacy among the SHG Members**

Response	Strongly Agree	Agree	No response	Disagree	Strongly Disagree
Per cent (%)	17.2	36.2	13.8	24.1	8.6

Source: Field Survey, (n=58).

As per Table 6.5.5, majority of the stakeholders (53.4 per cent) reported that the SHG members do not have satisfactory level of financial literacy. One of the major problems with the SHG members is their illiteracy. From the current study, it is found that 41 per cent of the 663 SHG members are illiterates and 34 per cent studied only up to 5<sup>th</sup> standard. As lower level of literacy may result in financial illiteracy of the SHG members, they are unable to understand the financial transactions of the group. Only one or two members from the group are able to understand the matters related to loan amount, interest rate, installment amount, dues to the bank, etc. Hence, there is a need to upgrade their (financial) literacy level.

Subsequently, we asked the stakeholders whether the SHG members get proper remunerative prices for their products and services so that they can repay the bank loans. The responses are given in Table 6.5.6.

**Table 6.5.6**

**Non-receipt of Proper Remunerative Prices for their Products/Services**

<b>Response</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>No response</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
<b>Per cent ( %)</b>	12.1	20.7	15.5	18.9	32.8

Source: Field Survey, (n=58).

More than half of the respondents felt that they disagreed with the above view and reported that the SHG women are receiving remunerative prices. This indicates that members of the SHGs default not because of lower remunerative prices for their products/services, but because of other reasons as mentioned in Table 6.5.2.

In order to assess the impact of the government’s intervention on the SHG-BLP, we asked a question in this regard. The responses are given in Table 6.5.7.

**6.5.7**

**Government’s Intervention in SHG-BLP Leads to Bad Repayment Record**

<b>Response</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>No response</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
<b>Per cent ( %)</b>	31.0	32.8	13.8	5.2	17.2

Source: Field Survey, (n=58).

It may be seen from Table 6.5.7 that 31 per cent of the respondents strongly agreed to this view. Further, majority of the respondents (63.8 per cent) felt that the government's intervention through subsidy, loan waivers, etc., may discourage the repayment culture in the SHG-BLP. Hence, the overdue in the SHG-BLP. Besides, the results indicate that the promises in election manifestoes may vitiate the repayment behaviour among the borrowers.

Finally, we wanted to understand the role of EShakti in maintenance of better records of the SHGs. The responses are given in Table 6.5.8.

**Table 6.5.8**  
**Role of EShakti of NABARD in Better Record-keeping of SHGs**

Response	Strongly Agree	Agree	No response	Disagree	Strongly Disagree
Per cent ( %)	18.9	56.9	18.9	3.5	1.8

**Source:** Field Survey, (n=58).

Good book-keeping is an essential characteristic of the SHG-BLP model. As the SHGs involve in financial transactions, maintenance of clean and accurate records instill trust and confidence among the members. Frequent closing of books of accounts result in long friendship!

As the SHG-BLP completed more than a quarter century, EShakti (leveraging the technology) is the new pillar of its edifice apart from other pillars, namely financial inclusion and social capital. This view is endorsed by more than three-fourth (75.8 per cent) of the respondents in the study. Hence, EShakti may be promoted for better record-keeping of the SHGs. This may go a long way in reducing the NPAs in the SHG-BLP. Moreover, the SHG-BLP may reach its potential target of Rs.10 lakh crore sooner than later (Please refer the proceedings of the National Seminar on Microfinance held at NIRDPR, Hyderabad on October 16, 2017, in collaboration with NABARD at **Annexure E**).

## **6.6. Variation in Weightage for Reasons for Overdue between SHG Members and Stakeholders**

Central theme of the study is to find out the reasons behind overdue in the SHG-BLP in India in general, and in AP, Odisha and Madhya Pradesh in particular. In this context, we collected responses from the SHG members through a schedule and from the stakeholders

in the form of a questionnaire. Later, we ranked the reasons behind the GNPA's based on the number of responses. However, there is a marginal variation in the rankings given by these two groups in this regard. Table 6.6.1 presents relative ranks given by the two groups in this regard.

**Table 6.6.1**  
**Reasons for GNPA's of SHG Members and Stakeholders**

Rank	Reason for GNPA's of SHG-BLP (Responses of SHG members)	Reason for GNPA's of SHG-BLP (Responses of Stakeholders)
1	Poor Economic conditions of SHG members (mentioned under 'other reasons')	Death/Migration of members of SHG to other areas
2	Non-cooperation/Non-repayment by other members of the SHG	Expectation of loan waivers from the Government
3	Expenses towards marriage/ceremony/ medical emergency, etc.	Non Co-operation/Non repayment by other members of the SHG
4	Expectation of loan waivers from the Government	Expenses towards marriage/ ceremony/ medical emergency, etc.
5	Natural disasters (drought, cyclone, floods, etc.)	Family disputes/ misunderstanding among family members
6	Family disputes/misunderstanding among family members	Multiple borrowings
7	Lack of proper follow-up from banks	Poor Record-keeping
8	Higher interest rates	Financial Illiteracy
9	Death/Migration of members of SHG to other areas	Natural Disasters (drought, cyclone, floods, etc.)
10	Multiple borrowings	Lack of proper follow-up from banks
11	---	Higher interest rates

**Source:** Field Survey.

While we included nine common aspects as reasons for NPAs in the questionnaire/schedule, we added two more aspects in the questionnaire administered on the stakeholders, i.e., financial illiteracy, and poor record-keeping of SHGs. The main reason

for inclusion of these two aspects in the questionnaire is that bankers/officials of SHPIs, are on the other side of the table, who generally assess the activities of SHG members in an unbiased manner. We deliberately excluded these two aspects in the schedule because the perceptions of SHG members may have in-built bias leading to spurious results.

As per the Table 6.2.8, majority of the SHG members (56.3 per cent) assigned rank no.1 in respect of ‘other reasons, i.e., poor economic conditions’ as the main reason behind the unhealthy growth of GNPAAs. As this aspect is mentioned under ‘other reasons’, it is not a part of the questionnaire administered on the stakeholders. With a view to finding out the statistical significance of the variation in weightage for reasons behind the overdue between these two groups, we tested the following hypothesis.

**Null Hypothesis ( $H_0$ ):** There is no significant difference between the ranks assigned by SHG members and the stakeholders with regard to reasons behind GNPAAs.

We conducted paired sample T-test by using SPSS software. While interpreting the Paired Sample T-test results, two types of significance need to be considered: a) Statistical significance b) Practical significance.

#### a) Statistical Significance

It is determined by using the p-value. The p-value gives the probability of observing the test results under the null hypothesis. Thus, a low p-value indicates rejection of the null hypothesis, and acceptance of the alternative hypothesis.

#### b) Practical Significance

It is common, especially with large sample sizes, to observe a result that is statistically significant but not so in practical terms. In most of the cases, both types of significance are required to draw meaningful conclusions. The results of paired samples test are given below.

Paired Samples Test

		Paired Differences				t	df	Sig. (2-tailed)	
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower				Upper
Pair 1	Percentage of Stakeholders say 'YES' - Percentage of SHG members say 'YES'	25.1444444	21.6042884	7.2014295	8.5379183	41.7509706	3.492	8	.008

**Paired Samples Statistics**

	Mean	N	Std. Deviation	Std. Error Mean
Pair 1 Percentage of Stakeholders say 'YES'	53.633333	9	23.6975737	7.8991912
Percentage of SHG members say 'YES'	28.489	9	11.8609	3.9536

**Paired Samples Correlations**

	N	Correlation	Sig.
Pair 1 Percentage of Stakeholders say 'YES' & Percentage of SHG members say 'YES'	9	.419	.262

**Statistical Significance:** As per the above results, while 53.63 per cent of the stakeholders accept a specific reason behind GNPA's in the SHG-BLP (say 'YES'), 28.48 per cent of the SHG members endorsed the former's views with a mean difference of 25.14. As p-value is less than 0.05 (i.e., 0.008) at 95 per cent confidence interval, we rejected the null hypothesis and accepted the alternative hypothesis.

**Practical Significance:** The variation in weightage may be partly due to the respondents' respective personal idiosyncrasy, experiential dimension, behavioural perspective, and social and economic conditions. To put it differently, while SHG members are people at the bottom of the pyramid who struggle for existence in the society, stakeholders like bankers and officials of SHPIs are relatively from wealthy families. As such, perceptions of these groups on the reasons behind overdue in the SHG-BLP differ slightly.

**6.7 Results of Regression**

We used panel regression fixed effects model for processing the secondary data on the SHG-BLP from 2008 to 2017. While savings of SHGs, outstanding loans of SHGs, and average loan size per SHG are taken as independent variables, poverty rate, literacy rate and Gross State Domestic Product are taken as control variables in the regression model. Total GNPA's of the SHG-BLP of the 29 States is taken as dependent variable in the regression model. We wanted to determine the main factors behind the growth of bad loans in the SHG-BLP during the above-mentioned study period. The details of the variables are given below.

- 1) **DV = Dependent Variable (LGNPA) = Total GNPA's of SHG-BLP (Rs. in lakh)**
- 2) **Independent Variables**
  - i) Total Outstanding Loan amount in SHG-BLP (LOUTS) (Rs. in lakh)
  - ii) Savings of SHGs (LSVGS) (Rs. in lakh)
  - iii) Average loan size per SHG (LLNSHG) (Rs. in lakh)
- 3) **Control Variables**
  - i) Poverty Rate (Tendulkar Methodology) (PVRTY)
  - ii) Literacy rate of the State (LITR)
  - iii) Gross State Domestic Product (GSDP) (LGDP)

The panel regression equation is as follows.

GNPAs of SHG-BLP (GNPAs) =  $C + a_1$  average loan size per SHG +  $a_2$  savings of SHGs +  $a_3$  total loan outstanding in SHG-BLP +  $a_4$  Gross State Domestic Product +  $a_5$  Literacy rate of the State +  $a_6$  Poverty rate +  $e_t$

The results of the regression are reported in the Table 6.7.1.

**Table 6.7.1**  
**Result of the Panel Regression**

Dependent Variable: LGNPA = Gross NPAs of SHG-BLP for 29 States				
Method: Panel EGLS (Cross-section weights)				
Date: 11/07/18 Time: 10:53				
Sample: 2008-2017				
Periods included: 10				
Cross-sections included: 28				
Total panel (unbalanced) observations: 273				
Linear estimation after one-step weighting matrix				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-48.86772	4.210252	-11.60684	0.0000
LLNSHG	0.161156	0.093888	1.716464	0.0874
LOUTS	0.395528	0.062804	6.297789	0.0000
LSVGS	-0.052375	0.062201	-0.842024	0.4006
LGDP	4.651354	0.386637	12.03030	0.0000

PVRTY	0.034083	0.014852	2.294880	0.0226
LITR	-0.018659	0.011779	-1.584049	0.1145
<b>Weighted Statistics</b>				
R-squared	0.964841	Mean dependent var		19.13691
Adjusted R-squared	0.959987	S.D. dependent var		12.42474
S.E. of regression	1.112302	Sum squared resid		295.6948
F-statistic	198.7510	Durbin-Watson stat		1.670243
Prob (F-statistic)	0.000000			

As per the results of the regression reported in the Table6.5, significant variables are as follows:

5. Average loan size per SHG (LLNSHG significant @ 10 per cent)
6. Outstanding loan amount of the SHG-BLP (LOUTS highly significant @ 1 per cent)
7. GSDP (LGDP highly significant @ 1 per cent)
8. Poverty rate (PVRTY significant @ 5 per cent)

In other words, average loan size per SHG, outstanding loan amount are the main determinants of GNPA's in the SHG-BLP; Gross State Domestic Product and poverty rate are other contributing factors for the GNPA's. However, savings of the SHGs and literacy rate variables are not found to be significant in determining GNPA's in the SHG-BLP.

## **POLICY IMPLICATIONS & CONCLUSIONS**

### **7.1 Policy Implications - SHGs' Access to Credit and their Income Generating Activities**

While majority of the members of SHGs in Andhra Pradesh and Madhya Pradesh are happy with the services provided by the banks in the SHG-BLP, one-fifth of the respondents in Odisha expressed discontent about the financial services rendered by the banks. Hence, there is a need to improve the quality, and user-friendly services in the banks, wherever necessary. As most of the SHGs are either illiterate or do not understand the financial transactions, the bank officials may have to show empathy towards these poor people and guide them in financial transactions.

As considerable portion of the SHG women in Odisha are not able to improve their access to food, clothing and shelter even after joining the SHG-BLP, there is an imperative need to understand whether these members have actually received the loans from the banks since SHG loans are given to the entire group but not to individuals.

Over one-fourth of the sample did not give a positive reply when enquired regarding undertaking of any economic activity. The SHG women may be encouraged to invest in productive assets or income generating activities by developing a proper investment climate in their community. Proper ecosystem will be in place when credit-plus package services (financial and non-financial services, including input supply, market linkages, technological support, training, capacity building, etc.) are extended to the SHG members. SHGs may be encouraged to act as FPOs, wherever possible, since India is a rural and agriculture based economy.

Majority of the SHG women could not avail higher amount of loans in Odisha as well as in Madhya Pradesh. Higher loan amount is required to undertake economic activities, when compared to those of consumption purposes. As finance is an essential ingredient of economic development, higher loan amount may be extended to the SHGs to establish nano/microenterprises.

More than three per cent respondents from Andhra Pradesh and approximately one per cent from Madhya Pradesh reported that they are not earning anything even after joining

the SHG-BLP. Hence, Village Assistants (VAs)/Block Development Officers (BDOs) may be entrusted with the work of collating the data on the SHG members who are not earning anything even after joining the SHG. Reasons for such instances may be ascertained and steps to ameliorate the position may be thought of in block/Panchayat level meetings.

Since sizable portion of the SHG women reported nil savings even after joining the SHG-BLP, they should be imparted training on ‘perils of living beyond the means’. (Refer Table 6.1.12)

## **7.2 Policy Implications - Reasons behind the Growth of NPAs in SHG-BLP**

Based on the experience of microfinance in Bangladesh, collective responsibility of the SHG members may be discontinued in case of loan defaults. This may improve recovery rate since herd behaviour or perverted group dynamics may, at times, negate the spirit of repayment of bank loans. Besides, the banks need additional support from SERP/MEPMA, etc., in their recovery efforts as these organisations are closely associated with the local community.

Community resource persons from SHPIs need to create awareness among the SHG members about financial prudence on lavish expenses related to marriages, ceremonies, etc. Further, community resource persons may act as counsellors to resolve family disputes. OMPLIS has such family counsellors for its SHGs in Kurnool district, Andhra Pradesh.

It is noticed that some defaulters to the SHG-BLP are influencing other group members not to repay the bank loans as loan waiver scheme may be announced during the election season. There should not be any loan waiver promises from the political parties and State governments as the same may slowdown the institutional credit to the SHGs in the long run. This ultimately results in creation of structural barriers with regard to sustainability of the SHG-BLP. Instead of loan waivers, government may continue to extend interest subvention to the SHGs. Hence, the lesser the government’s intervention in grant of loans to the SHGs, the better it would have been the recovery scenario.

MFIs in Bangladesh support the borrowers during natural calamities through write-off or rephasing of loans. Hence, distress among the farmers/borrowers appears to be on the lower side in Bangladesh. We may follow this practice in genuine cases. Geographical Information System (GIS) applications may come handy in identifying such genuine victims.

Group insurance scheme for the SHGs may be thought of. Micro insurance (life insurance as well as health insurance) may be promoted in a big way so that death, partial disability, migration, and bankruptcy of the SHG members will be taken care of. Therefore, GNPA's may come down, to some extent.

Banks need to review the adequacy level of loans extended and assess the financial needs of the SHG borrowers in line with the actual requirement.

With a view to reducing *interest cost multiplier effect*<sup>1</sup> and minimising multiple sources of borrowings and GNPA's in microfinance, a credit bureau needs to be established. This will ensure real-time, reliable, transparent and authentic information to track the borrowers' credit history. EShakti is a right digital initiative from NABARD in this direction, which can be extended to all 640 districts in India from the present 100 districts. Panchayat offices too can arrange for conducting classes for bookkeeping and skill development of the SHG members.

As the loans sourced from local moneylenders are high cost borrowings, SHG members should be encouraged to rely more on the SHG-BLP through prompt repayment behaviour.

Chronic NPAs of SHG-BLP may be written off as there is a very little chance of recovery. Banks may negotiate with the SHG borrowers to work out an amicable solution/rephasing/restructuring of loans, if possible.

As lower level of literacy may result in financial illiteracy of the SHG members, they are unable to understand the financial transactions of the group. Hence, there is a need to upgrade their (financial) literacy level.

The policymakers need to emphasise on the need for credit counseling to the (financially) illiterate poor members. This may result in reduction of GNPA's in the SHG-BLP in the long run.

### 7.3 Policy Implications - Sustainability of SHG-BLP

In case of regular internal lending, regular repayment of loans, and periodical rotation of leadership positions, majority of the SHG members gave a negative answer. SHPIs take a note of these and take prompt corrective action in this regard.

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<sup>1</sup>Interest cost multiplier effect refers to high cost of debt of the poor arising due to high monitoring costs on the loans extended to them by banks (moral hazard), for a detailed discussion see Banerjee, V. Abhijit and Esther Duflo, *Poor Economics: Rethinking Poverty & the Ways to end it*, 2013

It is ideal to form the SHG groups preferably with members from different families rather than from 3 or 4 families, as dominance of certain members in the group will reduce to a certain extent. There is a need to cultivate peer pressure among the members for better banking habits and recovery of loans. Training and capacity building need to be scaled up through the SHPIs. Specifically, training on morals and business ethics may be imparted to the SHG members.

#### **7.4 Concluding Remarks**

The SHGs are more than just a conduit for savings and credit; they also act as a delivery channel for numerous services such as skill development, training on entrepreneurial activities, acting as a launch-pad for creating social networks, access to a range of financial services (pension, insurance and remittances) in order to achieve lofty goals of financial inclusion, social empowerment of the poor and gender equity. Besides, the SHGs touch upon four to five lives in every member family and enable them to access better food, clothing, shelter, healthcare, education and aspirational goods (consumer durables) apart from realising the goal of entrepreneurship.

Though the SHG-BLP achieved many a milestone during the last two-and-a-half decades, it accumulated huge NPAs in the last few years; the GNPA of the SHG-BLP surged from Rs. 423 crore in 2007-08 to Rs. 4,628 crore in 2017-18, a ten-fold increase at a CAGR of 27 per cent. GNPA, in percentage terms too, increased from 2.49 per cent to 6.12 per cent during the same period. The worst performing regions in this context are Central region (24.70 per cent), Northern region (22.12 per cent) and North-Eastern region (19.58 per cent) as on March 31, 2018. Hence, there is every reason to arrest this trend and make the SHG-BLP, a noble and sustainable model to say goodbye to hunger and poverty.

In the words of Muhammad Yunus (2017), the Nobel laureate, sustainable development goals (SDGs) can be reached by achieving zero poverty, zero unemployment, and zero net carbon emissions by 2030. By following the SHG-BLP model, a holistic approach to eradicate poverty, India too can achieve the SDGs, sooner than later.

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**National Institute of Rural Development & Panchayati Raj  
Centre for Financial Inclusion & Entrepreneurship**

**QUESTIONNAIRE for MEMBERS of SHGs on  
'An Evaluation of Self-Help Group Bank Linkage Programme(SHG-BLP) in India  
with special reference to over dues/NPAs'**

This questionnaire is intended to study the performance of SHG-BLP with specific reference to over dues. The questionnaire consists of questions under which different viewpoints are listed out. Kindly choose the most appropriate one and note that the information collected will be kept confidential and will be used for academic purpose only.

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Village:                      Mandal:                      District:                      State:

**Personal details of the Respondent:**

- i) Name of the respondent: \_\_\_\_\_ Age : \_\_\_\_\_ years
- ii) Name of the SHG associated with: \_\_\_\_\_ Position in SHG: \_\_\_\_\_
- iii) Occupation:  
 1) Self-employed      2) Non-farm Labour      3) Farm Labour      4) Others
- 1V) Education level:  
 1) Illiterate                      2) up to 5<sup>th</sup> class                      3) up to 10<sup>th</sup> class  
 4) Intermediate                      5) Degree

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**1. For how long have you been associated with SHG (years)?**

1-3 years	3-5 years	5-7 years	7-10 years	Above 10 years
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2. **How many loans have you taken so far by being the member of SHG?**

1	2	3	4	More than 4
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3. **What is the average loan amount you received by being the member of SHG during the last one year?**

Not received any loan during the last one year	Up to Rs. 20,000	Rs.20,001-30,000	Rs.30,001-40,000	Above Rs.40,000
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4. **I think that the SHG-BLP services provided by the banks are smooth and user friendly.**

Yes	No	No Response
1	2	3

5. **My economic needs like *roti, kapada aur makaan* have been met after joining the SHG.**

Yes	No	No Response
1	2	3

6. **I spend more on healthcare after joining the SHG.**

Yes	No	No Response
1	2	3

7. **My average monthly income level before joining SHG was:**

No Income	Rs. 001 - 500 per month	Rs. 501 - 2,000 per month	Rs. 2,001- 5,000 per month	Rs. 5,001 - 10,000 per month	Rs. 10,001 - 15,000 per month
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8. **My average monthly income level after joining SHG is:**

No Income	Rs.001 -500 per month	Rs.501 - 2,000 per month	Rs.2,001 - 5,000 per month	Rs.5,001 - 10,000 per month	Rs.10,001- 15,000 per month
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9. **Expenses on our children's education before joining SHG were:**

No obligation for children's education	Up to Rs.2,000 per annum	Rs.2,001- 5,000 per annum	Rs.5,001- 10,000 per annum	Rs.10,001- 15,000 per annum	Rs. 15,001- 20,000 per annum
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10. **Expenses on our children's education after joining SHG are:**

No obligation for children's education	Up to Rs.2,000 per annum	Rs.2,001-5,000 per annum	Rs.5,001-10,000 per annum	Rs.10,001-15,000 per annum	Rs. 15,001-20,000 per annum
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11. **Our current budget on vehicles, TV, refrigerator and cell phones has been on increasing trend after joining the SHG.**

Yes	No	No Response
1	2	3

12. **I am able to save the following amount of money after joining the SHG:**

Reported nil savings	Up to Rs. 500 per month	Rs.501-1,000 per month	Rs.1,001-1,500 per month	Above Rs. 1,500 per month
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13. **What are the end-uses/purposes of loans taken by you from SHG-BLP? Please rank them as per your experience.**

Sl. No.	Purpose of loan	Rank
1.	Medical emergency/healthcare	
2.	Household/personal consumption	
3.	Agriculture	
4.	Rearing of cattle	
5.	Children's education	
6.	Repayment of past loans	
7.	Marriage and other social functions	
8.	House construction	
9.	Petty business shop	

14. **I am able to undertake economic activities like cattle rearing, petty *kirana* shop, cell phone stores, etc., after joining the SHG.**

Yes	No	No Response
1	2	3

15. **Do you think the loan you have received from SHG is sufficient for undertaking any kind of economic activity?**

Yes	No	No Response
1	2	3

16. **Have you repaid the loans taken from SHG-BLP in the recent past?**

Yes	No	Not received any loan in recent past
1	2	3

17. **Have you repaid the loans taken from SHG-BLP-NRLM in the recent past?**

Yes	No	Loans not received
1	2	3

18. **I have not repaid our overdue to the banks for the last----- months.**

Not applicable / reported no dues	Up to 3 months	> 3-12 months	> 12-24 months	> 24-36 months	Above 36 months
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19. **I have \_\_\_\_\_ overdue to banks in SHG-BLP.**

Not applicable/ reported no dues	Up to Rs. 20,000	Rs.20,001- 40,000		Rs.40,001- 60,000	Rs.60,001 – 80,000
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20. **I think that the following are reasons for the above overdue: (Please tick one or more options from the following).**

Sl.No.	Reason	Yes/ No
1.	Expenses towards marriage/ceremony/medical emergency, etc.	
2.	Natural disasters like drought, cyclone, floods, earthquake, etc.	
3.	Expectation of loan waiver from the government	
4.	Family disputes/misunderstanding among members of the family with regard to financial matters	
5.	Lack of proper follow up from banks	
6.	Multiple borrowings	

7.	Higher interest rates	
8.	Non-cooperation/non-repayment by other members of the SHG	
9.	Death / Migration of member(s) of SHG to other areas	
10.	Other reasons, please specify, if any.	

21. **I would like to repay the loan so that I can avail another loan immediately to improve my family income.**

Yes	No	No Response
1	2	3

22. **I have not been advised properly about the consequences of default to banks. Otherwise I would have repaid the loans somehow.**

Yes	No	No Response
1	2	3

23. **The following activities take place every month in our SHG:  
(Please tick one or more options from the following).**

Sl. No.	Reason	Yes/No
1.	Regular meetings	
2.	Regular savings	
3.	Regular internal lending	
4.	Regular repayment of loans	
5.	Regular record-keeping	
6.	Regular rotation of positions	
7.	Regular handholding support from NGO/SHPIs	

**Date:**  
**Place:**

**Name:**  
**Signature of the investigator:**

**Note:** After pilot-testing of earlier version of the above schedule and receipt of feedback from the respondents, format of the responses has been modified accordingly.



**National Institute of Rural Development & Panchayati Raj  
Centre for Financial Inclusion & Entrepreneurship**

**QUESTIONNAIRE for STAKEHOLDERS on  
'An Evaluation of Self-Help Group Bank Linkage Programme (SHG-BLP) in India  
with special reference to over dues/NPAs'**

This questionnaire is intended to study the performance of SHG-BLP with specific reference to overdue. The questionnaire consists of questions under which different viewpoints are listed out. Kindly choose the most appropriate one and note that the information collected will be kept confidential and will be used for academic purpose only.

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Village:                      Mandal:                      District:                      State:

**Personal details of Respondent:**

i) Name of the respondent: \_\_\_\_\_

ii) Occupation/Designation: \_\_\_\_\_

iii) Name of the Bank/Branch, if applicable: \_\_\_\_\_

1. In my opinion, the following are main reasons for the NPAs related to SHG-BLP:  
(Please tick one or more options from the following).

Sl. No.	Reason	Yes/No
1.	Expenses towards marriage/ceremony/medical emergency, etc.	
2.	Natural disasters like drought, cyclone, floods, earthquake, etc	
3.	Expectation of loan waiver from the government	
4.	Family disputes/misunderstanding among members of the family with regard to financial matters	
5.	Lack of proper follow-up from banks	
6.	Multiple borrowings	
7.	Higher interest rates	
8.	Non-cooperation/Non-payment by other members of the SHG	
9.	Death/ Migration of member(s) of SHG to other areas	
10.	Poor record-keeping	
11	Financial Illiteracy	

2. I feel that peer pressure is not adequate while cultivating good repayment behaviour in SHGs.

Strongly Agree	Agree	No response	Disagree	Strongly Disagree
1	2	3	4	5

3. NGOs/Self-Help Group Promoting Institutions play a vital role in repayment of loans by SHG members. However, awareness/training given by them is not adequate and hence overdue are common.

Strongly Agree	Agree	No response	Disagree	Strongly Disagree
1	2	3	4	5

4. I feel that level of financial literacy of SHG members is inadequate.

Strongly Agree	Agree	No response	Disagree	Strongly Disagree
1	2	3	4	5

5. I feel that the members of SHGs are not able to receive proper remunerative prices for their products/services, as such they are not able to repay the loans to banks.

Strongly Agree	Agree	No response	Disagree	Strongly Disagree
1	2	3	4	5

6. I opine that SHG-BLP without govt.'s intervention\* will have better repayment record.

Strongly Agree	Agree	No response	Disagree	Strongly Disagree
1	2	3	4	5

\*Government's intervention is in the form of loan waiver, interest subsidy, etc.

7. EShakthi of NABARD will help in better record-keeping of SHGs especially about overdue.

Strongly Agree	Agree	No response	Disagree	Strongly Disagree
1	2	3	4	5

\*Government's intervention is in the form of loan waiver, interest subsidy, etc.

8. Any suggestions/recommendations with regard to overdue in SHG-BLP:

**Date:**  
**Place:**

**Name:**  
**Signature of the investigator:**

## SHG-BLP: State-wise Data on Savings of SHGs

(Rs. in Crore)

Name of the State	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Andhra Pradesh	971.25	1191.93	1255.29	1307.8	1490.16	2541.79	3499.62	2629.5	4145.62	5291.25	6682.42
Arunachal Pradesh	0.53	0.94	1.65	1.86	1.86	4.12	1.53	2.56	4.17	11.42	9.02
Assam	58	62.97	73.6	81.97	98.46	107.51	112.9	99.43	111.28	104.47	194.67
Bihar	45.63	67.88	85.4	108.57	140.42	169.68	164.67	296.67	360.06	626.58	983.75
Chhattisgarh	32.42	49.87	75.78	84.29	73.94	61.36	182.84	179.54	160.46	200.91	225.41
Goa	29.06	8.27	36.49	8.19	8.69	6.61	13.13	11.99	15.44	19.4	21.93
Gujarat	220.02	62.76	321.9	173.03	139.63	175.55	168.72	175.43	184.14	262.52	273.47
Haryana	13.65	25.48	107.63	99.2	36.78	40.31	45.39	36.51	158.91	34.31	32.25
Himachal Pradesh	28.22	29.89	34.91	37.09	32.89	42.78	27.32	26.49	34.11	50.62	66.78
Jammu & Kashmir	1.9	2.63	18.19	3.87	4.33	9.7	0.41	3.78	24.11	21.85	29.12
Jharkhand	34.67	25.51	74.22	141.96	67.22	76.9	89.33	84.93	95.58	149.92	448.75
Karnataka	388.49	566.87	627.05	965.03	1002.13	1156.19	1087.57	1302.41	1442.42	1311.81	1147.02
Kerala	223.31	232.42	375.56	421.44	413.71	517.59	569.42	645.25	629.07	512.69	562.3
Madhya Pradesh	92.03	71.92	101.51	116.74	112.29	123.21	130.1	239.02	248.31	273.1	300.67
Maharashtra	81.55	593.25	568.28	647.79	723.62	513.7	748.06	903.81	857.46	1103.45	949.79
Manipur	3.68	1.92	2.19	2.4	2.19	2.35	0.95	1.97	3.57	3.37	4.1
Meghalaya	3.1	3.28	3.6	3.76	4.15	5.16	5.37	8.63	9.38	9.61	11.8
Mizoram	7.93	1.85	2.51	1.78	5.73	6.12	0.04	3.13	4.97	5.62	6.85
Nagaland	1.19	1.58	3.34	3.63	3.74	1.86	2.1	2.73	6.98	12.76	5.28
New Delhi	5.96	1.84	2.35	3.24	3.25	3.48	6.61	6.95	5.36	11.19	12.93
Odisha	259.94	269.49	364.74	353.55	361.36	418.28	457.34	497.04	485.88	627.45	924.78
Punjab	25.71	28.82	36.45	43.85	46.63	36.35	22.84	22.35	39.78	31.35	32.19
Rajasthan	52.23	138.37	142.55	140.32	127.87	157.61	179.07	143.79	186.59	346.4	319.42
Sikkim	0.61	0.99	1.42	1.69	2.6	0.79	0.35	2.31	3.96	15.76	20.81
Tamil Nadu	516.39	577.31	903.73	997.24	790.4	849.67	1051.45	1034.57	920.03	1065.76	1077.87
Tripura	11.29	28.59	33.36	33.95	33.78	2.19	5.58	9.46	45.94	66.56	69.55
Uttar Pradesh	197.74	239.61	264.64	362.7	368.21	392.01	438.59	354.76	382.06	321.47	347.89
Uttarakhand	13.11	25.41	71.7	39.65	59.13	47.64	39.03	50.38	50.25	43.5	79.88
West Bengal	465.49	1233.28	594.87	803.14	376.94	726.95	814.07	1273.48	1535.39	1952.71	2050.54
<b>Total</b>	<b>3785.1</b>	<b>5544.93</b>	<b>6184.91</b>	<b>6989.73</b>	<b>6532.11</b>	<b>8197.46</b>	<b>9864.4</b>	<b>10048.87</b>	<b>12151.28</b>	<b>14487.81</b>	<b>16891.24</b>

SHG-BLP: State-wise Data on GNPA's of SHGs (Rs. in Crore)

Name of the State	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Andhra Pradesh	46.33(0.9)	37.73(0.5)	151.42(1.29)	270.49(2.02)	531(3.46)	543.91(3.11)	696.14(3.29)	960.77(6.04)	555.45(3.23)	500.2(2.87)	665.86(2.99)
Arunachal Pradesh	0.63(13.9)	0.39(5.3)	0.43(3.99)	0.66(6.51)	0.47(16.24)	0.42(10.81)	0.68(22.49)	0.91(27.23)	0.83(22.78)	0.99(35.13)	0.89(27.85)
Assam	11.28(11.4)	31.08(9.8)	25.97(5.29)	42.76(8.31)	28.93(4.59)	52.66(8.12)	48.15(7.35)	63.1(10.22)	87.23(13.21)	114.61(18.08)	112.33(16.57)
Bihar	13.79(4.3)	32.68(7.2)	29.39(5.27)	32.4(4.07)	64.27(6.18)	56.97(6.11)	70.58(7.86)	71.3(6.94)	132.8(13.25)	207(13.06)	241.19(7.6)
Chhattisgarh	1.69(1.45)	7.46(8.6)	12.45(6.26)	17.91(9.53)	10.51(5.19)	17.5(8.19)	26.80(12.44)	27.85(11.76)	28.62(9.59)	28.94(8.17)	45.46(9.88)
Goa	0.01(0.1)	0.52(3.1)	0.21(0.84)	1.65(3.59)	0.28(1.13)	0.46(2.54)	0.63(2.25)	0.69(2.32)	1.24(4.04)	0.88(2.94)	1.58(5.65)
Gujarat	1.87(1.93)	2.11(2.5)	4.52(3.19)	7.15(4.6)	8.46(4.8)	8.28(3.76)	57.87(19.81)	20.3(4.78)	22.55(7.35)	27.92(11.46)	52.64(13.87)
Haryana	2.62(2.63)	4.86(4.1)	7.84(5.06)	7.83(3.95)	12.92(6.28)	29.63(11.22)	38.07(15.84)	37.24(16.45)	28.25(13.77)	29.95(18.3)	37.8(30.62)
Himachal Pradesh	0.97(1.14)	5.26(5.9)	5.42(5.12)	11.69(7.31)	14.63(10.38)	13.5(9.77)	18.5(16.22)	17.63(15.64)	15.21(13.63)	16.26(14.72)	13.94(13.96)
Jammu & Kashmir	1.34(6.32)	0.13(4)	0.57(5.54)	0.49(4.27)	0.61(3.73)	0.49(2.57)	0.39(5.03)	0.48(4.31)	1.1(4.41)	1.25(3.3)	2.81(3.36)
Jharkhand	7.3(4.7)	9.88(5.5)	14.69(5.05)	15.91(4.94)	27.54(7.66)	43.38(11.49)	40.48(12.82)	96.27(25.57)	54.45(14.84)	56.17(17.61)	55.14(15.13)
Karnataka	46.1(3.44)	19.77(0.8)	41.35(2.01)	66.86(2.98)	116.38(3.35)	107.77(3.27)	141.64(3.62)	367.62(6.2)	156.69(2.1)	287.28(3.53)	414.89(3.73)
Kerala	7.25(1.24)	31.71(3.5)	25.57(2.52)	135.47(8.61)	160.81(9.04)	207.79(12.38)	91.02(5.34)	128.43(5.74)	114.45(5.37)	130.31(4.5)	149.3(4.01)
Madhya Pradesh	21.2(9.16)	22.27(8.6)	36.51(8.2)	42.82(11.28)	92.94(22.45)	94.01(21.16)	86.4(19.31)	83.1(14.18)	99.9(10.27)	109.59(21.54)	86.91(19.74)
Maharashtra	35.58(3.63)	78.79(5.8)	56.33(4.68)	81.62(7.81)	103.4(8.89)	117.84(9.59)	123.76(9.37)	150.8(9.84)	163.47(9.63)	221.38(12.2)	264.32(13.46)
Manipur	2.03(16.1)	2.88(11.7)	2.44(12.99)	3.54(17.4)	4.77(20.72)	7.44(35.56)	7.65(55.09)	4.94(49.19)	2.3(24.56)	1.84(19.81)	1.59(17.85)
Meghalaya	1.93(7.09)	1.25(18.1)	1.36(10.16)	1.25(8.45)	4.61(33.08)	1.43(8.13)	2.46(19.37)	2.6(19.73)	3.3(28.31)	3(20.79)	2.75(29.25)
Mizoram	0.36(6.5)	0(0)	3.74(16.09)	3.23(52.06)	2.05(5.12)	0.29(1.49)	1.3(61.83)	1.32(9.36)	1.74(5.86)	3.64(18.64)	3.9(15.37)
Nagaland	1.02(6.65)	1.03(11.3)	1.81(12.49)	2.7(14.26)	2.2(12.28)	2.57(14.32)	2.62(20.82)	2.51(26.21)	4.43(14.95)	3.94(16.31)	0.95(5.15)
New Delhi	0.01(0.2)	0.49(4)	0.06(0.45)	0.38(5.76)	2.29(16.12)	3.05(18.7)	0.58(8.67)	1.18(12.24)	1.07(21.52)	0.94(21.96)	0.85(13.63)
Odisha	27.75(3.78)	50.37(4.2)	45.53(3)	98.58(6.24)	196.09(11.86)	328.21(18.27)	291.79(18.91)	295.96(15.6)	469.59(24.93)	299.55(14.08)	324.72(14.35)
Punjab	1.39(6.4)	1.87(2.6)	2.51(3.74)	4.21(5.3)	4.62(5.5)	7.39(8.62)	14.58(16.49)	16.31(16.53)	12.29(7.76)	14.98(23.03)	22.43(38.54)
Rajasthan	7.15(4.16)	29.95(6.6)	37.51(8.1)	37.81(8.49)	46.36(6.49)	75.63(11.95)	78.29(12.19)	90.62(8.39)	163.49(25.08)	134.27(25.36)	114.15(22.97)
Sikkim	0.13(7.4)	0(0)	0.4(8.47)	2.19(31.22)	1.89(5.33)	1.22(9.85)	0.23(10)	0.52(8.51)	0.33(5.28)	0.26(4.06)	0.61(2.18)
Tamil Nadu	55.63(2.36)	114.32(3.5)	137.32(3.38)	349.57(7.72)	444.65(9.58)	545.02(10.81)	541.02(10.99)	573.28(9.22)	690.66(10.86)	773.59(12.79)	809.42(12.18)
Tripura	1.02(8.8)	1.12(1.7)	0.98(1.01)	2.23(2.16)	6.42(2.79)	2.21(3.95)	3.87(7.49)	8.93(18.53)	45.76(34.07)	43.37(35.75)	51.34(43.02)
Uttar Pradesh	18.26(0.15)	131.89(9.4)	143.76(8.79)	187.3(11.08)	254.25(12.51)	366.54(18.22)	388.82(20.07)	297.39(19.41)	306.88(20.11)	355.54(27.79)	361.84(30.9)
Uttarakhand	5.1(5.84)	6.08(4.7)	5.94(3.26)	6(5.61)	9.34(7.08)	11.71(7.25)	6.97(7.18)	11.17(8.55)	19.96(20.18)	18.12(25.51)	39.72(44.07)
West Bengal	3.17(1.26)	18.78(2)	29.12(2.19)	34.2(2.28)	48.9(3.11)	141.98(5.86)	144.33(6.63)	220.59(7.7)	232.78(6.16)	230.98(4.77)	215.66(3.67)
Total	322.91(1.9)	644.67(2.84)	825.15(2.96)	1468.86(4.72)	2201.59(6.09)	2779.30(7.09)	2925.60(6.83)	3553.81(8.23)	3416.82(7.24)	3616.75(7.32)	4094.99(6.64)

Note: Figures in brackets represent per cent of GNPA's

SHG-BLP: State-wise data on Outstanding Loans of SHGs (Rs. in Crore)

Name of the State	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Andhra Pradesh	5385.70	8902.17	11739.54	13369.12	15341.72	17481.05	21141.04	15900.93	17220.83	17405.79	22241.67
Arunachal Pradesh	16.64	23.03	10.68	10.12	2.91	3.88	3.01	3.35	3.65	2.81	3.19
Assam	242.24	328.55	491.23	514.70	630.22	648.56	655.49	617.54	660.31	633.80	677.72
Bihar	385.55	454.83	557.77	796.03	1040.71	932.31	898.14	1026.76	1002.48	1584.86	3173.48
Chhattisgarh	308.61	311.58	199.06	187.93	202.60	213.76	215.45	236.88	298.43	354.26	460.11
Goa	99.45	19.23	24.56	45.97	24.91	18.13	28.07	29.69	30.61	29.80	27.89
Gujarat	913.56	109.38	141.62	155.44	176.33	220.39	292.14	424.87	306.69	243.62	379.42
Haryana	107.42	124.14	155.07	198.27	205.75	263.97	240.26	226.41	205.13	163.65	123.48
Himachal Pradesh	126.10	96.33	105.97	159.95	140.90	138.16	114.04	112.73	111.66	110.42	99.80
Jammu & Kashmir	22.46	4.57	10.33	11.59	16.47	19.10	7.72	11.21	25.05	37.90	83.60
Jharkhand	162.18	190.33	290.75	321.97	359.56	377.48	315.71	376.46	366.93	318.88	364.51
Karnataka	1389.58	1613.62	2055.30	2246.12	3469.88	3293.58	3915.84	5927.52	7474.75	8149.33	11126.07
Kerala	809.74	950.93	1015.31	1572.75	1779.23	1678.28	1705.26	2236.72	2131.25	2896.59	3723.36
Madhya Pradesh	190.88	132.55	445.13	379.53	414.08	444.19	447.33	586.13	972.88	508.78	440.32
Maharashtra	150.55	1422.53	1203.31	1044.82	1162.54	1229.00	1320.25	1532.82	1697.32	1815.00	1964.07
Manipur	25.57	7.08	18.79	20.37	23.00	20.93	13.88	10.04	9.35	9.28	8.90
Meghalaya	19.22	11.39	13.40	14.85	13.95	17.62	12.68	13.18	11.67	14.44	9.41
Mizoram	13.63	13.93	23.26	6.20	40.03	19.47	2.10	14.07	29.63	19.51	25.35
Nagaland	6.35	8.91	14.50	18.96	17.90	17.94	12.60	9.56	29.63	24.17	18.50
New Delhi	5.98	12.49	13.39	6.19	14.20	16.29	6.51	9.61	4.99	4.26	6.20
Odisha	1217.07	1324.28	1516.08	1579.48	1653.39	1796.76	1543.18	1897.05	1883.35	2126.82	2262.07
Punjab	53.83	74.85	67.08	79.38	84.13	85.77	88.45	98.62	158.43	65.07	58.20
Rajasthan	250.04	366.55	463.29	445.40	714.90	632.94	642.29	1080.19	651.83	529.54	496.89
Sikkim	11.70	39.36	4.74	7.00	12.08	12.38	2.32	6.15	6.19	6.31	28.07
Tamil Nadu	2715.76	3445.42	4059.43	4526.24	4639.27	5040.18	4924.52	6217.55	6359.02	6047.41	6647.88
Tripura	20.28	37.06	96.87	103.05	253.18	55.99	51.72	48.19	134.29	121.29	119.34
Uttar Pradesh	612.13	650.34	1635.88	1691.00	2031.77	1957.27	1936.89	1532.46	1525.68	1279.61	1171.17
Uttarakhand	823.81	950.86	182.33	106.93	131.84	161.62	97.00	130.68	98.91	71.04	90.12
West Bengal	912.83	1050.44	1326.93	1499.25	1570.03	2424.47	2178.53	2864.24	3779.40	4841.73	5870.27
<b>Total</b>	<b>16998.86</b>	<b>22676.73</b>	<b>27881.60</b>	<b>31118.61</b>	<b>36167.48</b>	<b>39221.47</b>	<b>42812.42</b>	<b>43181.61</b>	<b>47190.34</b>	<b>49415.97</b>	<b>61701.06</b>

## ANNEXURE-D

### REPORT ON EXPOSURE VISIT TO BANGLADESH

First things first, we are grateful to our Director General, NIRDPR for giving us an opportunity to go on exposure visit to Bangladesh from September 23 to 28, 2018 as part of Faculty Development Scheme of the Institute. The following members were selected for the visit:

- a) Dr. M. Srikanth, Associate Professor & Head (CFIE)
- b) Dr. Lakhan Singh, Assistant Professor (CHRD)
- c) Dr. Raj Kumar Pammi, Assistant Professor (CFL)
- d) Dr. Ruchira Bhattacharya, Assistant Professor (CGSD)
- e) Dr. S.K. Sathya Prabha, Assistant Professor (CGG&PA)
- f) Shri. D. Pranesh Rao, Director, ANSSIRD&PR, Mysuru, Karnataka

This exposure visit was organised by NIRDPR in collaboration with the Centre on Integrated Rural Development for Asia and the Pacific (CIRDAP), Dhaka, Bangladesh. The main objective of the exposure visit was to learn about the initiatives and best practices of Bangladesh in respect of microfinance, social development and rural development. During the visit, we visited Bangladesh Rural Advancement Committee (BRAC), Grameen Bank and Institute of Inclusive Finance and Development (InM) which are located in Dhaka apart from Rural Development Academy, Bogura, a town located 200 km away from Dhaka.

We, the team of six members, reached Dhaka at 16.00 hours (Time zone difference of +30 minutes of IST) on September 22, 2018. We received a warm welcome from Shri Zakeer, Administrative Officer, CIRDAP at Hazrat Shahajjal International airport, Dhaka. Later, we checked-in Centre Point hotel, Dhaka at 17.00 hours.

After refreshing ourselves, we had dinner with Shri Tevita G. Boseiwaqa Taginavulau, Director General, CIRDAP and officials of CIRDAP at 20.00 hours. During the interaction, Shri Tevita, a Fiji national, emphasised that development and sustainability should go in tandem to preserve ecology for future generations. In this context, he remarked that the local administration in Fiji (a country with a population of less than a million) is proposing to develop 'wise city' rather than a 'smart city' as the Earth is not just a planet but our home too. Shri Tevita also added that even some beggars, after introduction of microfinance in Bangladesh, have become financially literate and transformed themselves into businessmen/businesswomen.

## Day 1: September 23, 2018 – Visit to BRAC, Dhaka

### i) Brief Background of BRAC

**BRAC (Bangladesh Rural Advancement Committee)**, an international development organisation based in Bangladesh, is one of the largest non-governmental organisations in the world. Established by Sir Fazle Hasan Abed in 1972 after the independence of Bangladesh, BRAC is present in all 64 districts of Bangladesh as well as in 13 other countries. BRAC was set up to resettle refugees in post-war Bangladesh; later, it redesigned its strategies in accordance with its philosophy of poverty alleviation and empowerment of the poor. At present, BRAC has a large number of development programmes that cover areas of health, education, credit, employment and training for the poor in Bangladesh. BRAC carries out licensed banking activities through BRAC Bank Ltd. It also earns from various income generating projects such as Aarong Rural Craft Centre, BRAC Dairy and Food project, BRAC Tea Estates, and various agri-enterprises such as Seed and Agro Enterprises and Prawn Hatcheries.

### ii) Key Learning Points

We visited a branch of microfinance division, BRAC at 10.00 hours located in Dhaka. We interacted with the officials of the branch till 12.00 hours. We noted that **BRAC** observes integrity, innovation, inclusiveness, and effectiveness as its key principles. The division is meant for assisting the ultra-poor households (graduation from extreme poverty). The microfinance division of BRAC identifies the poor based on the ‘poverty map’ of Bangladesh prepared by the World Bank as part of its World Food Programme. BRAC uses participatory rural appraisal for rural slums and focus group discussions for urban slum dwellers for identification of the beneficiaries.

As per the above criteria, a person is classified as ultra-poor, if his/her food intake is up to 1700 to 1800 kilo calories per day; on other hand, a person is considered as poor if his/her food intake is up to 2100 kilo calories per day. Besides, the person should have per capita income of less than BDT 3000 per month, productive assets of less than BDT 8000, and no loan outstanding from any microfinance institution to receive assistance from BRAC. BRAC extends BDT 15,000 to 20,000 to the ultra-poor households to the extent of 40 per cent in the form of grant and 60 per cent in the form of loan repayable in 36 fortnightly instalments. Insurance cover for the beneficiary and the spouse is extended as part of the loan. If the ultra-poor beneficiary has accumulated savings of BDT 100 in the bank, BRAC gives a matching grant of BDT 100 as incentive.



*A woman vegetable vendor assisted by BRAC*

### iii) Promise' - Skill Development Programme of BRAC

BRAC has a demand-driven skill development programme to upgrade the skills of the youth who are in the age group of 14 to 18 years. Usually, these children are school dropouts for a minimum period of one year. The duration of the training programme is for a period of six months with a minimum of 50 per cent participants from girls. The programme imparts skills to the youth at free of cost in respect of tailoring, boutique service, hospitality, computer/mobile service, graphic design, furniture design, etc. After completion of the training, BRAC handholds the beneficiaries for two years. An amount of BDT 50,000 to 3,00,000 (through cash or asset transfer) will be extended to them as loan without interest. The programme is very successful in terms of placement (close to 80 per cent) as BRAC conducts door-to-door survey, prior to commencement of the training, to identify the trades/services which are in high demand. Since its inception in 2012, the programme placed 36,000 trainees in various trades/services. The beneficiaries, in general, earn BDT 2000 to 10,000 per month after completion of the training based on their skillsets. BRAC offers entrepreneurial training to the beneficiaries who could not obtain placement.

As of August, 2018, the branch of microfinance division had 3.47 per cent overdue in its loan portfolio mainly due to migration of beneficiaries, medical emergencies, etc. The branch had credit insurance shield of 94 per cent in respect of its borrowers.

Later, we visited the ultra-poor households, at 12.30 hours in an urban slum located in Dhaka, who are supported by BRAC. We observed that a community resource person from BRAC visits them once in a fortnight and creates awareness about various social issues such as health, sanitation, child marriage, dowry, family planning, road accidents, etc.



*A BRAC trainee at a computer centre in Dhaka*

Subsequently, we made a visit to the head office at 15.00 hours and interacted with the senior management of BRAC. During the deliberations, we understood that BRAC engages in inclusive development covering healthcare (tele-medicine, para-medical healthcare counsellors), education (mobile school), promotion of livelihoods (sheep/goat rearing, vegetable cultivation, agriculture practices), etc., with a view to uplifting the rural poor. BRAC works very closely with the

Government of Bangladesh and receives funding from various international agencies such as DFID, Bill & Melinda Gates Foundation, World Bank and UNICEF in the form of grants and soft loans. As on December 31, 2017, BRAC received a total donation of BDT 13.22 billion towards various poverty alleviation programmes. Its microfinance portfolio stood at BDT 163.23 billion as on December 31, 2017.



*A community resource person from BRAC creates awareness about the benefits of family planning among the Ultra-Poor in slums of Dhaka*

## **Day 2: September 24, 2018 - Visit to Grameen Bank, Dhaka**

### **i) Brief Background of Grameen Bank**

In August, 1976 Dr. Muhammad Yunus, the then head of the department of Economics at the University of Chattagram, Bangladesh, started a project called Grameen Bank project in Jobra village. Later, the project was metamorphosed into an independent bank in October 1983. Today, Grameen Bank is operating in every nook and corner of Bangladesh and its model has been replicated in more than 100 countries around the globe. In Grameen Bank, 25 per cent of equity is owned by the government and 75 per cent by the member borrowers. As such, it is not a non-governmental organisation. It has 2,568 branches spread across 81,400 villages with a total staff strength of 18,184. As on March 31, 2017, it had a total number of 8.93 million borrowers, 97 per cent of them are women. Its mission is to provide comprehensive financial services, empowering the poor to realise their potential and break out of the vicious cycle of poverty.

### **ii) Key Learning Points**

On September 24, 2018, we started from the hotel at 8.00 hours and visited Grameen Bank's branch located in Dhamrai village, sub-district of Dhaka. During the interaction, we observed that Grameen Bank has many inclusive microfinance products and services for the poor. Specifically, it offers micro credit for income generating activities, construction of house, higher educational purpose, etc., for the members' children and interest-free loans to beggars. Grameen Bank also collects savings deposits from its members as well as non-members.

The target group of Grameen Bank is landless, and asset-less poor households. Grameen Bank has a special preference for the poorest women while extending microfinance. It regards women as the effective agents of greater family welfare and social change. It provides loans without collateral based on trust. It does not require any credit history or business experience for providing loans.

Grameen Bank gives higher educational loans at graduate and post-graduate levels in nursing, medicine, engineering, and agriculture domains at zero per cent interest rate for the first five years and after that, a nominal interest of five per cent per annum is collected. In case the borrowers' children are unable to get any job after completing the course, Grameen Bank supports the unemployed and qualified graduates to start their own enterprise. Till date, it is instrumental in starting more than 1,00,000 microenterprises in this way through the unemployed youth. Grameen Bank offers merit-based scholarships, of which 50 per cent are reserved for the girl children; so far, it offered 27,000 scholarships (BDT 150 per month) across Bangladesh. It collaborates with various foreign universities to extend overseas scholarships to its members' children to pursue M.Phil/Ph.D courses. Also, it offers loans to struggling members (beggars) at free of interest to undertake income generating activities.

Later, we visited one of the Bank's centres at 11.30 hours to witness the weekly meeting of its members. The centre is located in Dakshin village and it has a roof with metal sheets, which was financed by Grameen Bank. The president of the centre is elected by the members for a period of one year. Total number of households in the village is 110. The centre has 70 borrowers who availed micro credit from Grameen Bank. The members availed loans in multiple doses to graduate from the extreme poverty. For instance, the President of the centre received a loan of BDT 0.45 million recently with a weekly instalment of about BDT 8400 repayable for a period of 18 months.

Subsequently, we made a visit to the head office located in Mirpur, Dhaka at 16.00 hours and interacted with the senior management of Grameen Bank. We understood that the transformation from microenterprises to small or medium enterprises is saddled with numerous challenges, namely market linkages, managerial bandwidth, and technological hurdles. We found that the basic difference between Grameen Bank and other microfinance institutions is that while the former is owned by members and the Government of Bangladesh and the latter are non-governmental organisations. Grameen Bank does not have any donor funds in its balance sheet. It received last instalment of donor funds way back in 1998 and became self-sufficient since early 2000s. The microfinance institutions in Bangladesh are regulated by Micro Finance Regulatory Authority, which stipulated maximum interest rate of 27 per cent p.a. on declining balance method. We noticed that the maximum lending rate of Grameen Bank is around 20 per cent p.a.

Grameen Bank extends the microfinance loans to the members in their individual capacity (not in the form of joint liability, i.e., group members are not responsible to pay on behalf of a defaulting member). While its deposit portfolio stood at BDT 203 billion, its microfinance portfolio was at BDT 198 billion as on December 31, 2017. Loan recovery rate of Grameen Bank as on August 31, 2018 was 99.10 per cent.



*Officers and borrowers of Grameen Bank attending a weekly meeting in Dhamrai, Dhaka*

We were also informed that Grameen Bank has a loan insurance scheme; under this, all outstanding loans and interest amount are paid off from the insurance fund in the unfortunate event of death of a borrower. This scheme is extended to the spouse of borrower as well. Besides, Grameen Bank undertakes CSR activities such as removal of Arsenic content from drinking water and write-off the loans of the member borrowers during the outbreak of natural/man-made disasters. As poverty in Bangladesh is expected to be reduced from the existing level of 22 per cent to 12 per cent in 2020, Grameen Bank would like to re-position itself as rich peoples' bank in future from the poor peoples' bank.

### **Day 3: September 25, 2018 – Visit to Institute of Inclusive Finance & Development (InM)**

#### **i) Brief Background of InM**

The Institute for Inclusive Finance and Development (InM) has been operating since January 1, 2016 as a non-profit organisation established primarily to meet research, training and other development needs of national as well as global financial sector, including microfinance institutions (MFIs). Its predecessor, Institute of Micro Finance (InM), was established on November 1, 2006. The institute works in priority areas, namely microfinance, inclusive finance, poverty, inequality and development. InM would like to emerge as a knowledge centre in the above domains at both national and international levels through building networks with financial institutions, practitioners, academicians and researchers for collaboration and exchange of ideas and experiences.

Before reaching InM at 11.00 hours on day 3, we visited CIRDAP at 9.00 hours at Chameli House, Dhaka and interacted with its key officials. CIRDAP is a regional, inter-governmental and autonomous organisation. It was established on July 6, 1979 at the initiative of the countries of the Asia-Pacific region and the Food and Agriculture Organisation (FAO) with support from several other UN bodies and donors. From the initial six members, CIRDAP has now grown up as a Centre of 15 member countries viz., Afghanistan, Bangladesh (Host State), Fiji, India, Indonesia, Iran, Lao PDR, Malaysia, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka, Thailand and Vietnam.



*Delegated team from NIRDPR at the Head Office of CIRDAP, Dhaka*

## ii) Key Learning Points

We received a warm welcome from Dr. Mustafa Mujeri, Executive Director, InM at 11.00 hours followed by a brief presentation on ASA, an NGO-MFI and their activities; subsequently, there was a presentation on InM.

The focus of InM is undertaking research on development challenges related to sustainable development encompassing economic, social and environmental dimensions placing human beings at the centre point. During the deliberations, we observed that the poverty in Bangladesh has come down right from the level of 70 per cent in 1971 to 22 per cent in 2017. The key growth drivers of Bangladesh economy are: *a*) Ready-made garment exports, *b*) Remittances from Non-Residents, and *c*) Agriculture. As the MFIs, in general, support the borrowers during natural calamities through write-off loans or rephasing of loans, distress among the farmers/borrowers is on the lower side in Bangladesh. Though its per capita income is lower than some of the South-East Asian nations, social indicators of Bangladesh are better than those of others. However, political, social and economic indicators like empowerment of women, financial inclusion, education and healthcare in the development spectrum need to be improved.

Microfinance is mainly offered through commercial banks, MFI-NGOs and Palli Karma Sahayak Foundation (PKSF) in Bangladesh. Since more than 1,000 registered MFIs are operating in Bangladesh, it is felt that saturation point has been reached along with diminishing returns on MFI operations. This might call for consolidation in the sector in the near future. It was also discussed that current inflation in Bangladesh is hovering around six per cent, since interest rates are on the higher side (maximum interest rate on savings deposits offered by Grameen Bank is 10 per cent) on account of MFI model.

InM offers training programmes which are mainly targeted at NGO-MFIs in areas like regular and tailor-made courses, training of trainers, and training evaluation. As there is an imperative need to train the MFI borrowers to transform themselves from micro-entrepreneurs to small/medium entrepreneurs, InM collaborates with MFI-NGOs and offers a package of integrated development courses through training, capacity building, transfer of technical know-how, and handholding support.



*Dr. M. Srikanth, Principal Investigator of the Project felicitating  
Dr. Mustafa Mujeri, ED, InM, Dhaka*

## **Day 4: September 26, 2018 – Visit to Rural Development Academy (RDA), Bogura**

### **i) Brief Background of RDA**

Rural Development Academy (RDA), Bogura was established on June 19, 1974 as a specialised institution engaged in training, research and action research related to rural development. Initially, it focussed on the social and organisational aspects of rural development. Later, it also gave special emphasis on technological development related to agriculture and allied activities.

### **ii) Key Learning Points**

Post-completion of our visit to InM, we travelled to Bogura to visit RDA. There, we received a hearty-warm welcome with flower bouquets from the faculty of RDA at 18.00 hours on September 25, 2018 followed by campus visit. Subsequently, we had dinner with Dr. R.A. Matin, Director General, RDA at 21.00 hours. Before dinner, we visited various centres of RDA as mentioned below:

- ◆ Centre for Irrigation and Water Management
- ◆ CHARS Development Research Centre

- ◆ Renewable Energy Research Centre
- ◆ Centre for Community Development
- ◆ Cattle Research and Development Centre
- ◆ Seed and Bio-technology Centre
- ◆ Palli Pathshala Research Centre

On day 4, i.e., September 26, 2018, there was a detailed presentation on RDA in the auditorium; afterwards, we made a brief presentation on NIRDPR along with centre-wise presentation related to six of us. This was followed by question & answer sessions. The programme was chaired by Dr. R.A. Matin and chief guest was Dr. Akram, Vice Chairman, RDA, who has served as a member of Parliament of Bangladesh in the past.

We noticed that each centre of RDA has been working to develop new technologies to address the emerging rural development challenges. RDA has undertaken need-based research and action research for the benefits of all stakeholders and policy planners. Steps have been taken to build a complete MIS system for increased transparency and accountability. It has created a pool of community resource persons and the best practitioners in various rural development programmes. RDA has developed ‘waste to value’ project and generates renewable energy for its operations.

Dr. Matin remarked that Ms. Sheikh Hasina, the present Prime Minister of Bangladesh urged the youth to find employment opportunities in rural areas without migrating to Dhaka (which has population of approximately 30 million) and other cities to reduce pressure in the urban areas. Keeping this in mind, RDA trains the youth in dairy/poultry/horticulture enterprises apart from non-farm livelihoods like manufacturing of Muslim caps, jelly making, bakery products, etc. It also encourages micro savings among the rural poor to promote financial inclusion. By receiving funds from the government, RDA is instrumental in extending micro credit to the rural poor at 15 per cent p.a. in the form of seed capital.

### **Day 5: September 27, 2018 – Visit to RDA Projects, Bogura**

Research is one of the major functions of RDA. As part of its mandate, RDA has implemented some action research projects related to agriculture and rural development. On September 27, 2018, we went on a field visit to the following projects located in and around Bogura.

#### **a) Indigenous Country Chicken Rearing Project**

RDA assisted some poor women in Bogura to rear country chicken in a scientific manner with a view to improving their revenue and standard of living. Normally, country chickens are not taken care of by the owners especially by giving nutritious food. However, in this project, chicks will

be kept in a basket for a period of one month and they will be fed with nutritious inputs like corn, cereals, pulses, etc. In this method, mortality of chicks is relatively lower since they are fed in a basket which prevents them to take outside (junk) food. In this method, they grow faster and lay more eggs and generate higher income to the owner compared to normal method of rearing. While the price of chicken is around BDT 200 per kg, cost incurred per chicken is BDT 100, as such, the owner gets higher surplus in just 75 days. However, in the traditional rearing of desi chicken (country chicken), it is possible to sell the chicken only after 7 to 8 months from the date of birth of the chicks.



*Desi Chicken Project*

#### **b) Saving of Water in Farming through Scientific Cultivation Methods**

RDA is supporting the farmers to cultivate rice through Systematic Rice Intensification (SRI), Alternate Wetting and Drying (AWD) and RB methods to obtain higher yields and reduce costs. RDA is providing technical support through its extension services. The results are encouraging in terms of better yields at lower costs for the farmers.

#### **c) Palli Janpad Project-Construction of Housing**

With a view to provide green housing in rural hinterland and to reduce the pressure on the land, RDA undertook Palli Janpad project with the support of Government of Bangladesh. The project proposes to have 272 dwelling units at a total investment of BDT 424 crore. Cost per square foot (inclusive of land value) works out to BDT 2,000. The applicant needs to make a down payment of 30 per cent for his/her flat, repayment is for a period of 15 years.

#### **d) Food Processing Centre**

RDA has a dairy consisting of over 30 cows and 10 bulls. The total milk production is around 300 litres per day. They prepare yoghurt out of cow milk in the food processing centre. They use cow dung as a bio-fertiliser and sell it BDT 12 per kg.

In the food processing centre, rural unemployed women are given training with respect to preparation of pickle, jelly, etc. The centre imparts training for the rural poor and also caters to the needs of in-house participants and staff.

#### **e) Bio-Gas Power Plant**

RDA extended assistance to a community based bio-gas power plant in Bogura. The plant is run by seven farmers to generate power, and each one earns BDT 25,000 per annum. Besides, the farmer has his own cows (10 nos.) and generates income by selling cow milk and culling of the animals in every year to the tune of BDT 1 lakh per cow.



*Food processing centre/dairy at RDA, Bogura*

#### **f) Preservation of Seeds in Indigenous Method**

The farmers of Maria village have a unique way of preserving the foodgrain seeds by keeping them in salt water. Initially, they test the quality of seeds in salt water to identify the quality seeds and process them further by applying Jamoon leaf crating on the seeds or putting neem leaves layer by layer in a bin. In this way, the quality seeds will be preserved for longer period and they become pest-resistant.



*Preservation of seeds through indigenous methods,  
Action Research Project, RDA*

### **g) Integrated Water Management Project**

Finally, we visited an integrated water management project with tube wells in a village called Bogurapura. The project was partially funded by RDA. Total cost of the project was BDT 4.5 million; while 90 per cent of the cost was financed by RDA, the remaining balance of 10 per cent was contributed by the farmer community. The project is very useful for drinking as well as irrigation purpose. Total revenue generated from the project is BDT 3,00,000 per month. While the households pay an amount of BDT 150 per month for drinking and sanitation purpose, the farmers pay BDT 6,000 per acre for irrigation purpose. Recurring costs like electricity and man power cost would be BDT 50,000 and the surplus generated from the project is BDT 2,50,000 per month. As such, the payback period of the project is one-and-a-half years.



*Integrated Water Management Project,  
RDA, Bogura*

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**National Seminar on Microfinance  
(in Collaboration with NABARD)  
at NIRDPR, Hyderabad on October 16, 2017**



### Summary of Proceedings

Microfinance has played a significant role in furthering socio-economic empowerment of the rural poor in India. The Self-Help Group (SHG)-Bank Linkage Programme, a brain child of NABARD, has flourished in India since 1992 through various nurturing efforts of banks, non-government organisations (NGOs), and the governments. SHG-BLP is the largest microfinance programme in the world meant for alleviation of rural poverty in India. With the sharp policy focus on financial inclusion, microfinance is in a position to make further contribution to the development paradigm.

NABARD is celebrating 25 years of SHG-Bank Linkage Programme during the year 2017. In this context, NIRDPR conducted a one-day national seminar in collaboration with NABARD to bring together various stakeholders, take stock of the present position, focus on emerging trends in microfinance, and help in charting the future course of action.

The seminar had four panel discussions and deliberated on the following topics: *(a)* SHG-Bank Linkage Programme in the era of financial inclusion – best practices and perspectives of banks, *(b)* Entrepreneurship/livelihood development – role of support institutions, *(c)* NABARD's EShakti Project – stakeholders' perspective, *and (d)* National Rural Livelihoods Mission (NRLM) – potential and performance of SHG-based innovations. The delegates were invited from banks, microfinance institutions and academic/training institutions.

The seminar was inaugurated by Shri G.R. Chintala, Chief General Manager, NABARD, Head Office, Micro Credit Innovations Department and addressed by Shri Satya Prasad, GM, NABARD, Dr. B.S. Suran, Managing Director, NABFINS, Shri M. Satyanarayana Reddy, General Manager, Andhra Bank, Shri Durga Prasad, MD, KBS Local Area Bank, Dr. Divya Tejomurthy, Head, Department of Rural Development, Nagarjuna University, Shri Raosaheb Badhe, Lupin Foundation, Pune and Shri G. Vidyasagar Reddy, MD, Stree Nidhi, a credit cooperative, promoted by the Government of Telangana.

The panels of the seminar discussed, inter alia, the skewed geographical spread of the SHG-Bank Linkage Programme, the rising NPAs in the sector, the need to focus on microenterprises and livelihood development and related areas. The panels also discussed the role of NABARD in

experimenting with innovative initiatives like SHG-BLP, EShakti, etc., with a view to transforming the rural India. Further, the seminar had a discussion on the 3M of rural entrepreneurship viz., Micro-environment, Micro-markets, and Micro-finance. Finally, the seminar had a session on how Stree Nidhi has been steering the lives of the rural women through financial assistance to pursue their sustainable livelihoods.

The valedictory address was delivered by Dr. P. Kotaiah, former Chairman, NABARD, who recalled the basic philosophy of the SHGs and highlighted the need for robust research to provide necessary fillip to the SHG-Bank Linkage Programme to make it a sustainable institutional framework in the times to come.

The seminar was coordinated by Shri R. N. Dash, Consultant and Dr. M. Srikanth, Associate Professor and Head, Centre for Financial Inclusion and Entrepreneurship (CFIE), NIRDPR, Hyderabad. Detailed deliberations of the seminar are provided in the annexure.

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**National Seminar on Microfinance  
(in Collaboration with NABARD)  
at NIRDPR, Hyderabad on October 16, 2017**



**MINUTES OF THE SEMINAR**

GR Chintala, CGM, NABARD inaugurated the national seminar on Microfinance on October 16, 2017 at 10 AM and welcomed the delegates to the seminar. He spoke on genesis of SHG-BLP, how the programme was experimented with MYRADA (Mysore Resettlement and Development Agency) with a small sum of Rs.10 lakh way back in 1987 and its evolution during the last quarter century. He mentioned that SHG is considered as a disruptive innovation in the Indian rural financial markets by banking with the poor (since the poor were perceived as unbankable till that time). He commented that the programme has made an indelible impression on the Indian financial landscape by extending collateral-free loans to 46 lakh SHGs to the extent of Rs.61,581 crore as on March 31, 2017 without stipulating any purpose or activity or project. The programme had a humble beginning with 500 groups in 1992 and reached 86 lakh and disbursed loans worth Rs.2.5 lakh crore on cumulative basis as of March 31, 2017.

Shri Chintala mentioned that commercial banks in India were established by the Sahukars/Mahajans/Seths before nationalisation. These entities used to collect deposits from the common public to cater to the financial needs of their group companies. However, SHG-BLP is a landmark initiative which serves the financial needs of the disadvantageous sections of the society and promotes sustainable livelihoods.

Further, Shri Chintala Stated that the members of SHGs not only repay their loans but also impress upon other members to pay their loans and to maintain the books of accounts, thereby complying with *panch sutras* (regularity in meetings, regular savings, regular internal lending, regularity in repayment, and regular book keeping) of the SHGs. The unique feature of SHG-BLP is that the members are depositors, lenders, bookkeepers, equity shareholders, and recipients of dividends all at a time. Community is their collateral, social collateral. Unity is their strength. As such survival of the programme is beyond doubt, he opined.

Shri Chintala mentioned that SHG-BLP is a home grown and self-help movement centred on the community without any regulation from the government or any statutory authority. However, he felt that the Swarnajayanti Gram Swarojgar Yojana (SGSY) was not as successful as any other programme probably due to the element of government subsidy as well as the State intervention.

On April 1 2013, SGSY was converted into National Rural Livelihoods Mission (NRLM) which had a legacy of higher bad loans when compared to SHG-BLP on a standalone basis. While replying to a question, he felt that the NPAs of SGSY, which have been languishing in the banks' books of accounts for years together, need to be written off at the earliest. Further, he informed that SHG-BLP had NPAs of 6.50 per cent (approximately Rs. 4000 crore) as against 9.50 per cent (translating into Rs.7.65 lakh crore) in respect of Indian scheduled commercial banks as on March 31, 2017. While Andhra Pradesh had the lower NPAs of 2.87 per cent (mainly due to interest subvention scheme), Uttar Pradesh (UP) had higher NPAs of 27.79 per cent as on March 31, 2017. He suggested that granular data analysis needs to be done to obtain meaningful insights on SHG-BLP.

Shri Chintala informed that many foreign private equity players are present in the Indian microfinance market in order to make profits from the gullible poor. He criticized 'for profit Micro Finance Institutions (MFI)' which give loans to the poor by levying exorbitant interest rates. He admired Reserve Bank of India (RBI) for capping maximum interest rate @ 26 per cent p.a. on the loans extended by MFIs based on the recommendations of Malegam Committee. He mentioned further that MFIs are little dormant in the Indian financial markets due to widespread coverage of SHG-BLP.

Shri Chintala opined that public sector banks across India have subdued interest in SHG-BLP barring AP and Telangana. The programme requires, he felt, conviction from the top management of the banks to reach its full potential. He observed that the programme had skewed development across India in terms of deposits, loans and NPAs. He recalled that the Southern region had higher portion of savings (43.43 per cent) as well as credit (75.75 per cent) and lower level of non-performing assets (NPAs of 4.45 per cent) when compared to other regions as of March 31, 2017. He told that NABARD is giving renewed thrust in 13 priority States such as Bihar, Jharkhand and UP for enhancing the coverage of SHG-BLP.

As per the recent guidelines of RBI, members of SHGs need to submit credit information on each member of the group to banks in a time-bound manner to obtain credit rating. In this context, Shri Chintala felt that these rules put additional burden on banks as they have shortage of manpower (as of now, banks possess data related to SHGs but not about each member). Besides, some commercial banks are demanding SHGs to submit Permanent Account Number (PAN). Here, he remarked that SHGs are unable to submit PAN as they are unregistered entities. The national average loan size of SHGs (disbursed during FY 2016-17) is Rs.2.04 lakh. However, he commented that members of SHGs located in AP/Telangana receive higher loan amount say Rs.50,000 per head, but in other

States it is at a lower level say Rs. 20,000 per head. As such, when the bank loan amount availed by the SHG member is insufficient to start an economic activity like a petty grocery shop or buying a milch cow, the loan might be diverted towards consumption activity; hence, sustainable livelihoods cannot be created with paltry loan amounts. Shri Chintala articulated that poverty alleviation needs a special purpose vehicle like SHG-BLP for empowerment of the rural women and their emancipation from slavery. He maintained that the programme would have a continuous institutional support and survive in a different form in the times to come.

Later, Shri Satya Prasad, GM, NABARD chaired a session on ‘SHG-Bank Linkage Programme in the era of financial inclusion – best practices and perspectives of banks’ and stated that Self-Help Group–Bank Linkage Programme (SHG-BLP) recently celebrated its silver jubilee on July, 11, 2017 and has achieved many a milestone in its journey since 1992. Though, microfinance had a bad phase in 2010-11 due to crisis in the erstwhile Andhra Pradesh, self-help groups have the potential to save money through voluntary contributions from Rs. 50-100 per month per member. Before introduction of SHG-BLP in 1992 by NABARD, chit funds had roaring business. Thanks to NABARD and its innovative business approach to poverty alleviation and sustainable livelihoods, SHG-BLP had a total count of 86 lakh (covering over 10 crore families across India); SHGs mobilised total deposits of Rs. 16,114 crore from its members and had an outstanding loan portfolio of Rs. 61,581 crore from the banks as of March 31, 2017. Shri Prasad commented that the SHG-BLP is being dominated by the people from lower middle class and topmost section from below poverty line and hence the benefits of the programme are not evenly distributed among its members.

Subsequently, Dr. M. Srikanth, Associate Professor & Head, Centre for Financial Inclusion & Entrepreneurship (CFIE), NIRDPR commented that poverty is a chronic disease; as it is a vicious cycle, it needs sustainable institutional measures like MYRADA, OMPLIS, SERP, etc. He also narrated how some rural women (beggars from *Jangam* community) in Oravakal mandal, Kurnool, Andhra Pradesh became business women by becoming members of SHG. Dr. Srikanth informed that CFIE has undertaken a research project on SHG-BLP and identified research gaps like burgeoning non-performing assets (NPAs) in the recent times, non-transformation of SHGs to microenterprises, lower level of financial literacy prevalent among the members of SHGs across India, etc. He requested NABARD for necessary support towards research endeavours.

Subsequently, Shri M. Satyanarayana Reddy, General Manager, Andhra Bank made a detailed presentation on SHG-BLP and the role of Andhra Bank in supporting the programme. He mentioned that the average loan amount outstanding was Rs.1.27 lakh per SHG as on March 31, 2017. He commented that the branches of Andhra Bank located outside Andhra Pradesh are

having inadequate focus on financial inclusion and SHG-BLP due to various reasons viz., skewed credit linkage, owning of the programme by the State governments, poor financial literacy among members of SHGs, insufficient amount to take up any economic/investment activity, scaling up of credit, non-utilisation of cash credit limits, escalating NPAs, credit information reporting of SHGs, etc. He mentioned that the banks generally on-lend to MFIs so that the latter disburse loans to the SHGs.

Further, Shri Reddy informed the delegates that Andhra Bank recently introduced Self Business Groups (SBG) as a pilot project with a maximum loan limit of Rs. 25 lakh per SBG for any viable economic activity. This collateral-free loan will be given to an SBG based on its successful track record of rotation of credit for three times during the last five years with Andhra Bank. He observed that the loan-takers from SHG-BLP would be potential depositors of the banks. He opined that the poor are much more enterprising and agriculture itself is a big enterprise facing the vagaries of monsoon and other uncertain weather conditions. As such, he felt that there are more entrepreneurs in the developing countries which are primarily agri-based economies, when compared to those of OECD nations. He emphasised that strengthening the federations of SHGs is the need of the hour. Later, he concluded that SHG-BLP is a viable business model with profitability for all the stakeholders and it can be used as a powerful anti-poverty tool to promote sustainable livelihood opportunities in India.

Next, Shri Durga Prasad, MD, KBS Local Area Bank spoke on inclusive growth through SHG-BLP. He stated that financial inclusion is not just a social responsibility of the State, but a viable channel to disseminate credit to the rural poor. He advocated that financial literacy is very important and credit counselling is a must in the context of escalating NPAs. He felt that rumours of loan waivers triggered MFI crisis in AP during 2010-11. He mentioned that NGOs play a prominent role in the SHG-BLP's success in the form of capacity building and imparting training for Bank Mitra/Sakhi. He observed that ever-greening of accounts of SHGs is an important issue and called for certain checks and balances to prevent corruption among the bank managers.

Later, Shri D. Subbaiah, Chief Manager, SBIRD mentioned that there is a huge scope for insurance coverage among the members of SHGs under Prime Minister Suraksha Bhima Yojana since a nominal amount of Rs. 12 per annum per head is to be paid towards premium for an assured sum of Rs. 2 lakh per head. He emphasised the need for financial literacy among SHGs in order to mitigate the risk related to credit linkage.

Subsequently, Dr. B.S. Suran, Managing Director, NABFINS chaired a session on ‘Entrepreneurship and livelihood development – role of support institutions’. He commented that entrepreneurship is embedded in the DNA of SHGs as they have nothing to lose and everything to gain. For this to happen, he underlined the need for financial assistance from banks/NGOs/government agencies, etc. He emphasised that MFIs should provide need-based financing to the rural poor to create alternative sustainable livelihoods. He informed that NABARD had conducted an experiment in 10 locations across India in 2005-2006 with regard to SHGs and the study recommended three prerequisites (3M structure: Micro-environment, Micro-markets and Microfinance) for SHGs to metamorphose into micro-entrepreneurs. He felt that majority of the SHGs undertake traditional activities like dairy, piggery, goatery, etc., since they would like to operate in their comfort zone. However, marketing may be a major challenge for these micro-entrepreneurs once they undertake other than traditional activities. So micro-entrepreneurs need to have better understanding of local market conditions apart from technical knowhow, value addition for their products and services, adequate supply of credit, change in the government’s policy, etc.

Subsequently, Dr. Divyathejo Murthy presented a paper on ‘Impact of microfinance on women empowerment.’ He conducted his research work based on primary and secondary data. He observed that the members of SHG will have free access to credit when they save initially in the form of thrift deposits. He informed that various NGOs from different States are helping the rural folk in creating sustainable livelihoods; some of the leading NGOs are Grama Siri (AP), MYRADA (Karnataka), Pradan (Bihar), SEWA (Gujarat), and SHARE (AP). He concluded that after the intervention of SHG-BLP, the income of an individual increased from Rs. 2,420 per month to Rs. 3,315 per month, a growth of 37 per cent; besides, the members could earn this enhanced income by working for lower number of hours when compared to the earlier period.

Later, Shri Santhanam, AGM, NABARD deliberated on Livelihood and Enterprise Development Programme (LEDP) and Micro Enterprise Development Programmes (MEDP) launched by NABARD. He mentioned that LEDP was initiated with a view to creating sustainable livelihoods among SHG members and upgrading their skillsets. He also stated that the main objective of MEDP is to nurture the entrepreneurial talents of SHG members so as to enable them to establish microenterprises in farm and non-farm sectors (like boutique, tailoring, wire bag making, embroidery, etc.). Paddy is being procured by some old SHGs thereby eliminating middlemen in the process; as such, some SHGs have mastered the art of doing business in this pattern. Recently, IRCTC tied up with NABARD to create livelihood options for SHGs by way of providing catering services (supply of local cuisine) in the Indian Railways.

Generally, an SHG takes two to three years to mature and reach the stage of self-sustainability from the formation stage. SHGs graduate from consumption and/or low productive activities to economic enterprises usually after three to five years; however, most of the SHG members reach a point where they could not graduate to the next level of entrepreneurship due to various factors. To address this issue, NABARD identified some NGOs across India and they are given incentives for their concerted efforts in capacity building of different SHGs. More often than not, the entrepreneurs (SHG members) rely on self-financing or funds from their friends and relatives as financial assistance from banks is either unreachd or insufficient.

Post-lunch, there was a panel discussion on ‘NABARD’s EShakti Project – stakeholders’ perspective’. In this session, Shri Raosaheb Badhe, Lupin Foundation, Pune shared the experience in digital financial inclusion of SHGs in Dhule district, Maharashtra. Shri Badhe commented that post-introduction of EShakti project in Dhule district of Maharashtra, credit linkage increased from Rs. 18 crore to Rs. 40 crore. He stressed the need for digitisation of records of SHGs in order to enhance bankers’ comfort in credit appraisal, credit linkage and informed decision-making. He felt that transparency in financial/non-financial transactions helps in providing credit to SHGs based on their real-time performance.

While speaking on credit potential of SHGs in India, Shri Chintala informed that estimates made by various agencies indicate the potential of Rs. 10 lakh crore as against the present level of just Rs. 61,581 crore. Hence, he said that there is a tremendous scope for credit enhancement of SHG-BLP going forward. While narrating his experience on maintenance of books of accounts of SHGs in Gujarat, Shri Chintala quipped that sometimes, rats eat away their accounting books. Hence, he stressed the need for digitisation of the records of SHGs through NABARD’s EShakti Project and improve the potential for credit linkage from the banks.

The finance, accounts and management information system functions are weak even among the old SHGs. To address this issue and make SHGs digitally inclusive, NABARD launched EShakti initiative on pilot basis in 25 districts in 2015. EShakti is available in 10 Indian languages. Going forward, EShakti is expected to be a game changer in the microfinance world. Shri Chintala informed that the proposed expenditure under EShakti project would be humungous and expected to be completed by the year 2020-21. The main aim of the EShakti project is to see that the poor gets money from the Indian banking system at ease, he declared, adding that as on date, 450 animators, 80 NGOs and 3,000 bank branches are actively involved in project. As the data will be updated in the smart phones by animators, NABARD has the necessary equipment to monitor the entire system.

He felt that some SHGs in India may not be operational or active due to death, bankruptcy, and retirement of the members. One of the major challenges of SHG members is their level of financial illiteracy. As a result, majority of the loans are availed by the financially savvy members without resorting to rotation of leadership. That's why SMS-based information is being disseminated to all the members on real-time basis to correct this information asymmetry. Shri Chintala said that grading of SHGs will be an automatic process once their data are fed into the system linked to EShakti. After six months, SHGs will be asked by the system itself whether they require money from the banks. He expressed that the system is robust and can generate huge data in time-series and can store data related to 10 crore SHG members. Finally, he summarised EShakti project in three points: Accuracy of data, Accountability of SHGs through better governance and Access to financial services.

Finally, Shri G. Vidyasagar Reddy, MD, Stree Nidhi, a credit cooperative promoted by the Government of Telangana spoke on Stree Nidhi that provides affordable loans to SHG members within 48 hours of their application on interactive voice response system (IVRS) as against seven days in case of private and foreign banks. Stree Nidhi is a non-profit entity and a community-driven organisation. It has a loan portfolio of about Rs. 2000 crore as on date. He mentioned that Stree Nidhi has tied up with Vijaya Dairy, Government of Telangana for providing finance to individual members of SHGs and also keen to finance Farmer Producer Organisations. Further, he felt that the bankers need to have access to the SHG database in order to check the accuracy of data and take informed lending decisions. He remembered Dr. Y.V. Reddy's comments on the total cost of loans incurred by the poor viz., i) real cost of transaction - interest cost on loan, and ii) apparent cost, i.e., time and energy spent for obtaining the loan as well as personal gratification of the branch manager, if any. He informed that Stree Nidhi provides financing to purchase bicycles and smart phones, etc. thereby promoting livelihood options.

The valedictory address was delivered by Dr. P. Kotaiah, former Chairman, NABARD, who recalled the basic philosophy of the SHGs and highlighted the need for more research to provide necessary fillip to the SHG-Bank Linkage Programme to make it a sustainable institutional framework in future. Dr. Kotaiah felt that there is a great scope for documenting the empowerment of women through SHG-BLP. He also felt that there is a need for convergence of various welfare schemes of the States with the SHG-BLP. Dr. Kotaiah voiced concern that loan waivers vitiated the credit discipline of SHG-BLP and it is a relevant topic for action-oriented research study. He felt that 'how to make SHG-BLP sustainable through the institutional framework' can be an interesting research topic at this hour. He stated that inherent institutional risk exists if the credit discipline is not there (pointing out at escalating NPAs which is a source of discomfort for the stakeholders).

Dr. Kotaiah recollected that the SHG-BLP was started as ‘zero NPA movement’, and hence called for a viable policy scheme for risk mitigation in the present scenario. He mentioned that capacity building of SHG-BLP requires huge resources and hence suggested for capital grants to SHGs instead of individual grants to the members.

The national seminar on microfinance came to an end at 6 PM when Shri Ramamohana Rao, Project Consultant, CFIE extended vote of thanks to one and all.

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