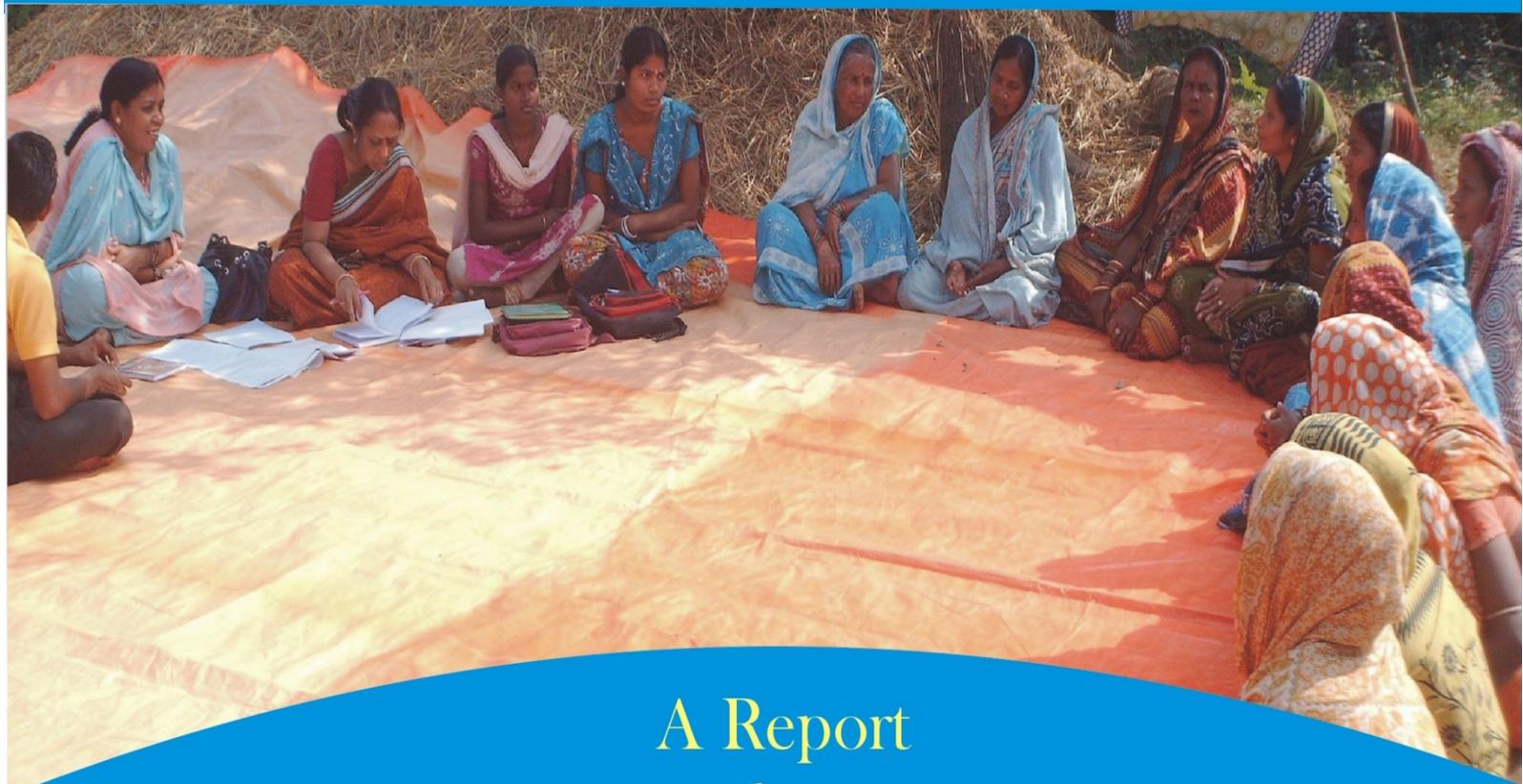


# Are Self Help Groups at a Cross Road in Odisha An Exploratory Study



A Report  
by  
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Study Commissioned  
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I would like to express deep gratitude to all the respondents in this study who have greatly contributed towards the completion of this report. I would like to thank all respondents including the members and leaders of SHGs, CEOs of SHPIs etc and everyone else involved in the process, for sparing time from their busy schedules to share their knowledge and experience with me.

I am also extremely thankful to Madhyam Foundation for providing me with the opportunity to work on a subject of this nature as well as providing the support system that was immensely helpful to undertake this study. I wish to express immense gratitude to the staff of Madhyam Foundation for all their help.

Last, but not the least, I thank the readers of this study for taking interest in this work. I hope this study fulfils its purpose and throws light on the issues pertaining to the study.

**Devika Mahapatra**

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### **Background of the Study:**

Self Help Groups (SHGs) are the pre-dominant micro finance model in India. NGOs initiated the SHG movement in 1990s and later the Government became a major promoter of SHGs across the country along with NGOs. Self employment, through organizing poor into SHGs, became the cornerstone of the new strategy for poverty alleviation for both the Govt. and NGOs. SHGs serve a variety of purposes. They contribute to women's' empowerment, promotion of financial services and livelihood support services for its members. The Government also uses SHGs to channel various development programmes to the targeted clientele.

The SHG movement in India has come off age, after nearly two decades of experimentation. The SHGs today have become a vehicle to pursue a diverse development agenda. Growth with quality has become the paramount agenda today among different stakeholders as there is an over reaching concern about the sustainability of the SHGs movement. While access to credit for SHGs has increased significantly over the years due to SHG-bank linkage programme and emergence of micro finance institutions across the country, the challenge now is to nurture the SHGs for effective utilization of credit to diversify the livelihood options for the women members and make these self-sustainable.

During the last decade, there has been a substantial expansion in the availability of micro loan and savings facility for the poor through the most widely practised model of the "Self Help Group (SHG)". The SHG model has proved to be the most successful mechanism for the deliverance of development oriented results. India in general and the state of Odisha in particular, has witnessed exponential growth in the number of SHGs during the last two decades. However, post the 2008 recessionary phase, all major sectors and regions in the economy have faced a slump. While major economic sectors like services and manufacturing have faced a noticeable slowdown in their growth trajectories, as observed from the various macroeconomic indicators, the impact on the non-economic sectors are far less pronounced and therefore need to be assessed more deeply. Since the analysis of the SHG movement will be like a litmus test in this regard, a study of this nature holds great relevance.

The proposed study is an attempt to gain a deeper understanding into the status of SHG movement in the state of Odisha, especially in the context of ongoing slowdown of micro finance sector.

➤ **Objectives of Study:**

The objectives of the study are as follows:

- To understand trends in the SHG movement in the recent years, in Odisha, especially in the wake of the ongoing recession in the microfinance sector.
- To make recommendations for making the SHGs more vibrant during the next 5-10 years.

➤ **Methodology:**

The following methods were employed to obtain information for the study.

- Review of secondary literature such as reports, publications etc.
- Structured questionnaire
- Focused group discussions with members of some SHGs and CEOs of selected SHPI.

➤ **Samples:**

A sample of 50 SHGs (more than 5 years old), promoted by NGOs and Mission Shakti were selected at random across different regions in Odisha for the purpose of the study. A detailed list of the SHGs has been provided in the annexure.

➤ **Timeline:**

The study was conducted across a span of two months, August and September, 2013.

➤ **Intended Beneficiaries:**

This study hopes to benefit the various agencies that focus on undertaking developmental work, such as Non Governmental Organisations, government organisations, and other institutions and professionals who seek to use SHGs as a tool for pursuing diverse developmental agenda.

➤ **Study Design:**

The study was divided and undertaken in the following four phases:

- Phase 1: Finalisation of samples and questionnaire; establishing contact with SHGs and SHPIs for data collection.
- Phase 2: Actual collection of data from sample SHGs and SHPIs (through structured questionnaires and focus group discussions).
- Phase 3: Tabulation of data; writing of draft report.
- Phase 4: Finalisation of report.

➤ **Scope of work:**

The scope of work of this study included the following:

- To articulate the perception of SHGs and SHPIs about the impact of the ongoing recession in the microfinance sector and suggest measures for taking the SHG movement into the next level of growth.
- To examine growth patterns of SHGs in Odisha during last 5 years.

➤ **Limitations of the study:**

The shortcomings of the study included the following:

- Due to time constraints, greater number of SHGs couldn't be covered.

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## CHAPTER 2: SHG MOVEMENT IN ODISHA: AN OVERVIEW

### ➤ Introduction:

The state of Odisha is considered amongst one of the poorest and least developed in the country. There is a dearth of funds as well as opportunities for the worse off sections of society. The immediate effect of this is that the economically and socially vulnerable group are left exposed, and they face a scarcity of funds to meet even their basic consumption requirements. This causes them to resort to borrowing of funds (sometimes at very high rates), which resultantly leads them into a poverty trap which becomes very hard to escape.

### Schematic Representation of poverty trap and benefit of Microfinance

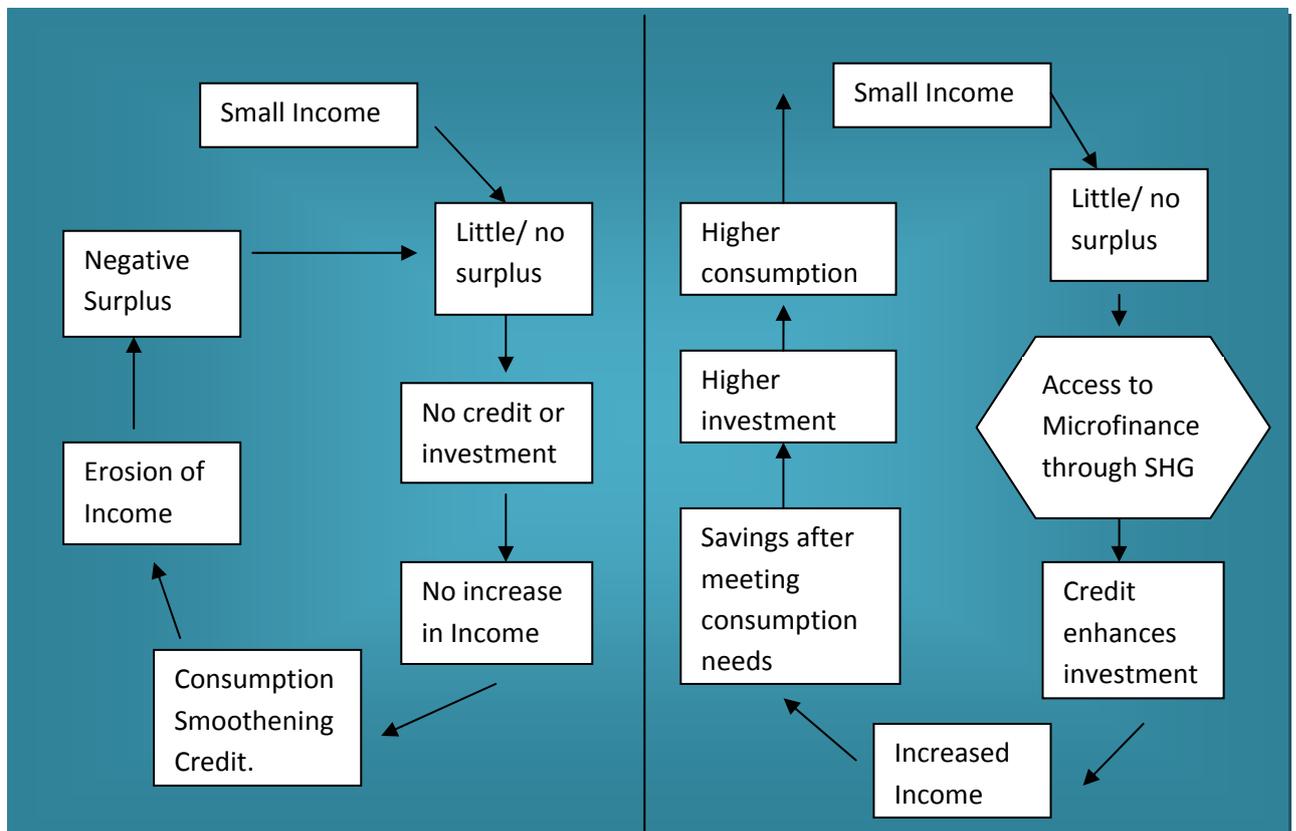


Figure 2.1

➤ **Genesis and Nature of SHG movement in Odisha:**

The SHG movement was initiated in India in the mid 1980s, with the NGOs playing a pioneering role in their promotion. In 1985 MYRADA, an NGO based in Tamil Nadu took up the initiative of promoting numerous SHGs at the local level. The initial focal point was to ensure availability and access to easy credit and put in place a sound credit system. When such efforts proved successful, the SHG model was acknowledged as an effective channel of poverty elimination and rural development, and the movement spread to other parts of the country. The movement was initially supported by the RBI, NABARD etc which made concerted efforts towards promoting SHGs and analysing their potential and performance. Thereafter the SHG movement took off in a major way after institutional and policy support was provided by NABARD in 1992, in the form of its SHG-Bank Linkage Program. Resultantly, it gained momentum and spread to other states in the country especially Andhra Pradesh, Odisha, and West Bengal.

The success of the SHG movement in Andhra Pradesh led to its widespread adoption in the neighbouring state of Odisha. Initial growth of the SHG movement in Odisha was promoted by various leading NGOs in the state like CYSD, Gram Vikas, PREM Fellowship etc. The SHGs were initially designed as a forum for collective learning and for fostering a culture which is characterised by mutual support and cooperation. (*Source: CARE MF Study, 2002, by Subrat Singhdeo*). Thus the initial strategy evolved around the potential of SHGs to provide an inclusive platform for the poor and extend support through these platforms so that each of its members can have access to opportunities to aid in their empowerment both in private and public life. In essence, the scope of SHGs extended to various areas apart from promoting thrift, credit access and mutual savings. It was realized that these groups provided economies of scale and allowed cost reduction in the production processes undertaken as a common activity by the group.

As the SHG model gained widespread attention, the role of promoting these groups were undertaken by Self Help Promoting Institutions (SHPIs). They played a key role in identification of members and their formation into groups, providing them training w.r.t. holding regular meetings, maintaining record books etc, and helping them inculcate a habit of regular repayment, thrift etc. Initially, it was the NGOs that acquired the role of SHPI, however, later on MFIs, government institutions etc also were instrumental in promoting SHGs.

With the implementation of NABARDs pilot project in 1992, as the SHG-Bank linkage program gained momentum, SHGs became popular in Odisha as a cost effective credit delivery system where transaction costs decreased sharply for both bankers and borrowers. In its first phase, in 1992-93, NABARD's pilot project linked 255 SHGs with banks (against a target of 500 groups) which by 2006 became 1, 80,896 groups (*Source: NABARD*)

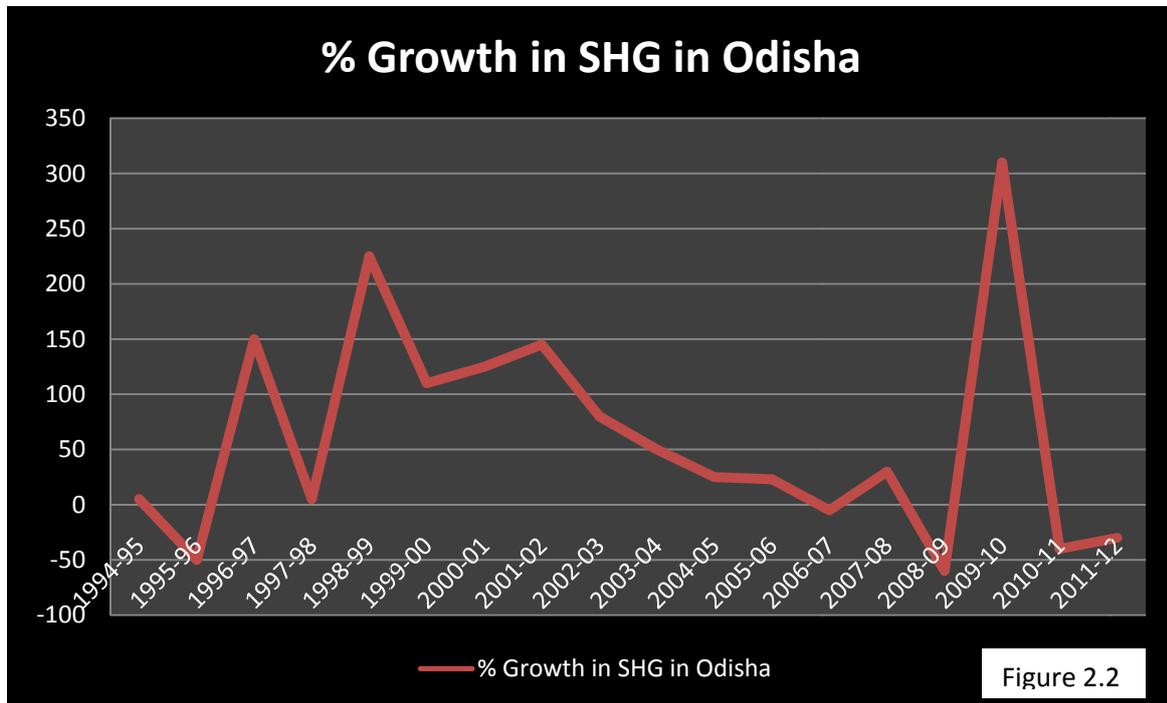
➤ **Growth pattern of the SHG movement:**

While the SHG movement kick-started in the mid 1980s in the country, its initial progress was relatively slow, especially in Orissa. With the institutional support provided by NABARD during the 1990s, the movement gradually gathered momentum at a moderate pace. The SHG Bank Linkage Program was piloted in Odisha in the early 1990s, (1993-94). However, it was scaled up since 1999-2000, and by 2004-05, Odisha was amongst the top five highest ranking states in the country for the number of SHGs linked to banks. In 2001, Mission Shakti was launched by the government, whose launch coincided with the rapid pace of development work post the Odisha super cyclone. Under Mission Shakti, 0.44 million SHGs with a membership base of 0.56 million women were formed and 7965 SHG federations were promoted at GP/Block/District/State level. The State Govt created space for these SHGs to take active part in Mid-day meal scheme, PDS, LP gas distribution, sanitation campaign, marketing of SHG products etc.

Apart from that, as the microfinance sector became highly lucrative, a large number of new players entered into the market in the form of Micro-Finance Institutions (MFIs), Non Banking Financial Corporations (NBFCs) etc. These institutions also helped to increase the magnitude of SHGs in the state. Additionally, NABARD also extended support to a large number of small and medium SHPIs for promotion of SHGs. In the early phase a lot of SHGs were formed in the southern and western regions of the state. Although, after the launch of TRIPTI program the number of bank linkages stabilized, and the number of new SHGs credit linked to banks as well as the amount of credit advanced, have both declined over the last two years.

There was a steep decline in the SHG growth trajectory in 2008-09 by about 61% over 2007-08, after the phase of exponential growth enjoyed prior to that. While the reason is attributed to having reached saturation levels in the sector, the effect may also be correlated with the recession in the microfinance sector as well as a decline in political will. Moreover, since the quantitative growth of the SHGs was achieved by compromising on quality, this could have

had a detrimental effect on the bank linkage program. The growth of the SHG movement in Odisha can be traced in the following graph:



### Pattern of SHG formation

Some patterns in SHG formation can be discussed as follows: Maximum numbers of SHGs, irrespective of the promoting SHPIs, were found in Western and Southern Orissa. Similarly minimum numbers of groups were formed in Central and Northern Orissa. Additionally, most of the group formation expenses incurred by the SHPIs have come by way of grants, inbuilt as a component in large integrated programs supported by donors like UNDP, Action Aid, Ford Foundation etc. Among financial institutions, NABARD has supported maximum number of small and medium SHPIs for groups' formation. (Source: Subrat Kumar Singhdeo, 2006)

➤ **The ongoing recession in the microfinance sector (Genesis and impact so far):**

The recession in the micro-finance sector can be traced back to the state of Andhra Pradesh which accounts for 60% of all microfinance initiatives. As the microfinance sector became lucrative, more and more players entered into the sector, and this enhanced the competition and most microfinance institutions employed exploitative tactics to maximise profitability.

MFI and NBFCs which substituted NGOs in the latter half of the 2000s started lending to the SHGs without crosschecking on their quality and loan repayment credibility. These loans

involved huge credit amounts and at very high interest rates (up to 40%). In the absence of any formal regulation by the apex bank, this proved to have a disastrous effect. Moreover, as the SHG movement and model gained momentum the government, realising its potential also became involved in doling out grants to these groups which eluded repayment. Thus the habit of saving and repaying borrowed funds took a backseat, and thus many SHGs defaulted on their loan repayments. Thus, as on March, 2012, NPA rose from 6.09% to 11.86% of the loan outstanding. High NPAs were reported during last 4 years. In case of general SHGs, repayment varied between 61.82%-49.21% and in case of SGSY SHGs, it ranged between 59.97% - 42.58 % (*Source: ACCESS ,2012*). This made the MFIs reluctant to provide further loans and resulted in a fund crunch. This had a spill over effect in Odisha where the credit tap soon became dry, banks restricted their funding, repeat finance was stopped, expansion took a back seat and a few MFIs started defaulting. This was the genesis of the microfinance recession in 2008.

However, soon thereafter, the NABARD, RBI, SIDBI etc put in place the institutional framework for regulation of microfinance activities. Various guidelines were enacted regarding fixing the upper limit of the rates of interest, margins to be kept by MFIs etc

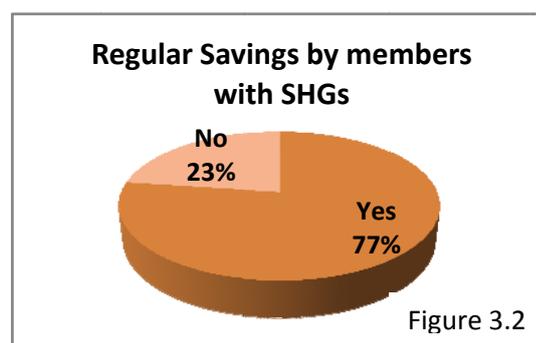
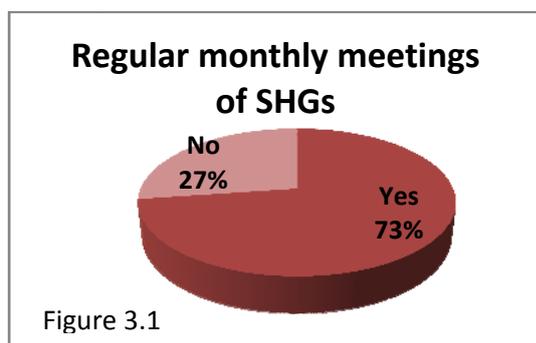
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## CHAPTER 3: STUDY FINDINGS

This study made an attempt to gain an understanding of the performance of the SHGs by evaluating them on various aspects such as the number of members, regularity of meetings, mobilization of savings, scope and extent of benefit from bank linkage etc. Data regarding these was collected primarily through structured questionnaires duly filled by the sample SHGs. Efforts were also made to capture the perceptions of the SHGs and SHPIs about the scope of the SHG movement in the near future, the roadmap during the next five years etc. Apart from questionnaires, Key Informant Interviews were conducted with the CEOs of SHPIs and leaders of SHGs. The findings of the study are as follows.

### Group Meetings:

In a majority of the SHGs sampled, it was found that group meetings were regularly conducted. Thus, in almost three-fourths of the SHGs surveyed, SHG meeting were conducted productively. This implies regular turnout by members, effective discussion of important and productive matters, and facilitation of savings and credit functions.

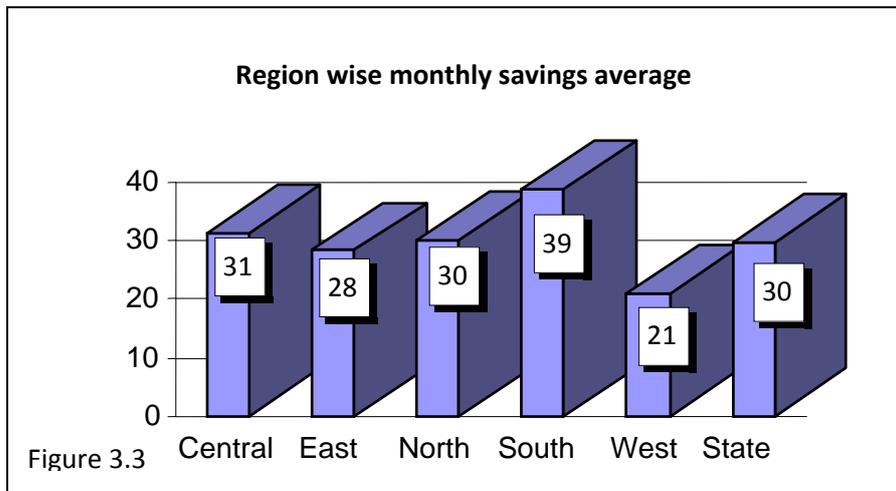


### Savings Mobilization:

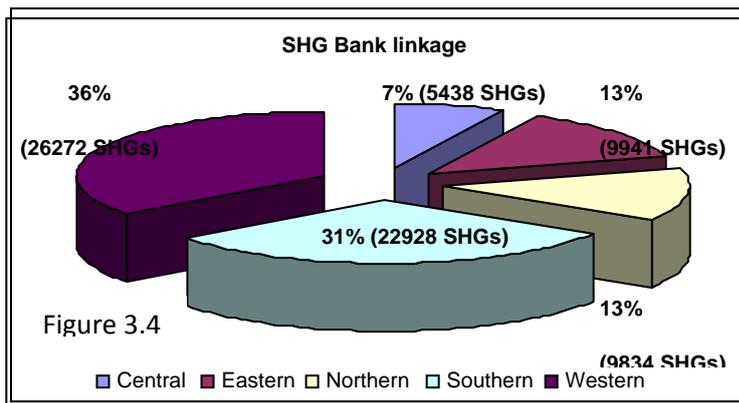
Regularity in savings was a characteristic found in 77% of the SHGs surveyed. Typically, the savings by SHGs are done on a monthly basis with the amount of saving varying from Rs10 to Rs 100 across the state with a maximum and minimum amount of Rs 50 and Rs 20 reported from southern /coastal region & western region respectively.

Regularity in savings implies that all SHG members contribute to the group fund on a consistent basis. The underlying corollary is the fact that these members have access to surplus income (which they were bereft of earlier) which in turn they can save, and thus borrow at a later point in time. Greater savings mobilisation also implies greater funds for

internal loan/ credit circulation. Thus 77% of SHGs rotate their savings amongst members to meet consumption requirements.



**SHG Bank Linkage/ Loans from Banks:**



The SHG bank linkage program has progressed remarkably in the state of Odisha during last couple of years and the total groups linked to banks under this program comprise – 9.5% of the total groups linked in the country. As on March 2012 a total of 0.54

million SHGs have been formed with a savings of Rs 3613.6 million @Rs 6692 per SHG vs the national average of Rs 8230. Similarly, 0.31 SHGs have been credit linked to different banks with a loan outstanding of Rs. 1653.4 million @ Rs 1,08,562 against the national average of Rs 1,44,046. (Source: NABARD Report, 2012).

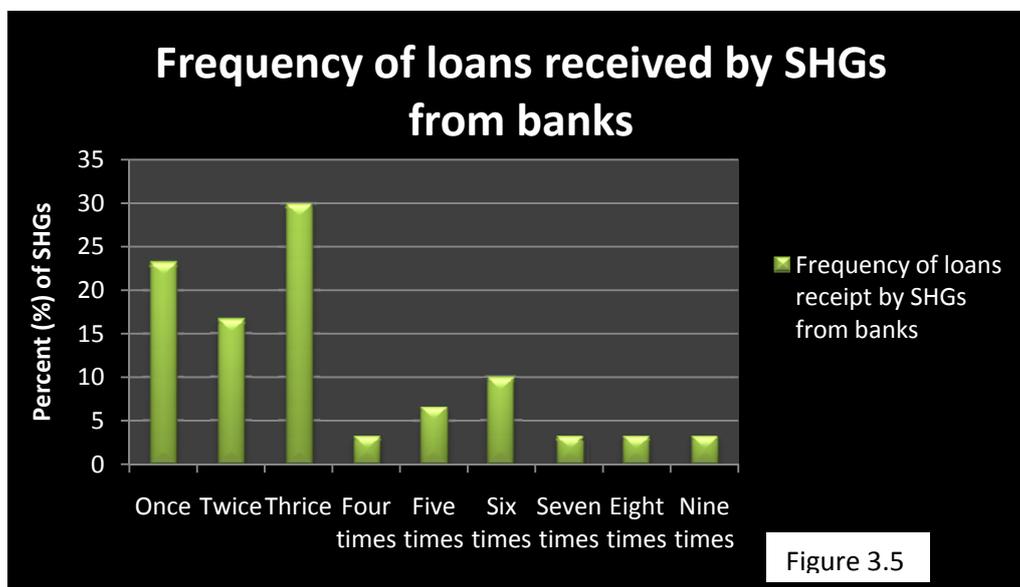
After its initial phase of its SHG Bank linkage program, NABARD has launched its second phase. Discussions with leaders of SHGs revealed that although there is adequate awareness among the SHGs, they have not yet accessed the same as it is newly introduced, and they intend to avail it soon.

The SHG Bank Linkage Program usually employs one of the three delivery models:

- Model 1:- Banks facilitate SHG formation and provide them savings and credit linkage directly.
- Model 2:- NGOs or other SHPIs facilitate SHG formation and banks provide the savings and credit linkage to SHGs
- Model 3:- Banks lend to MFIs, who facilitate group formation and on lend to SHGs.

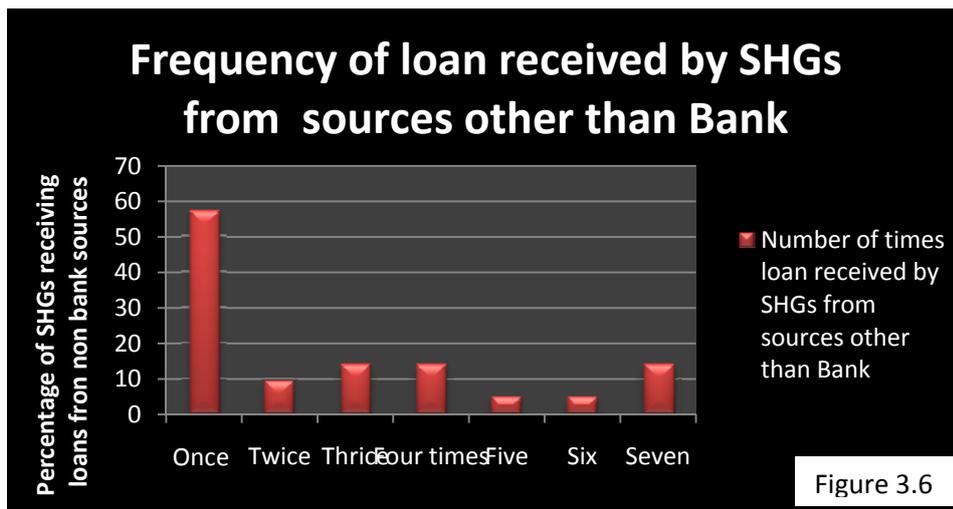
### Loans from banks:

Around 91% of the SHGs in the sample reported to have availed loans from banks. The frequency of availing loans is given below in Fig 3.5. The maximum numbers of SHGs (around 30%) have received a bank loan three times.



### Non Bank sources of credit:

Almost 70% of the sample SHGs consented to having access to alternative sources of finance from institutional sources other than banks. Apart from the SHPIs, particularly MFIs and NGOs who are the primary sources of credit, the SHGs also avail of funds from the govt. depts. for the implementation of schemes like Mid Day Meal, ICDS etc.

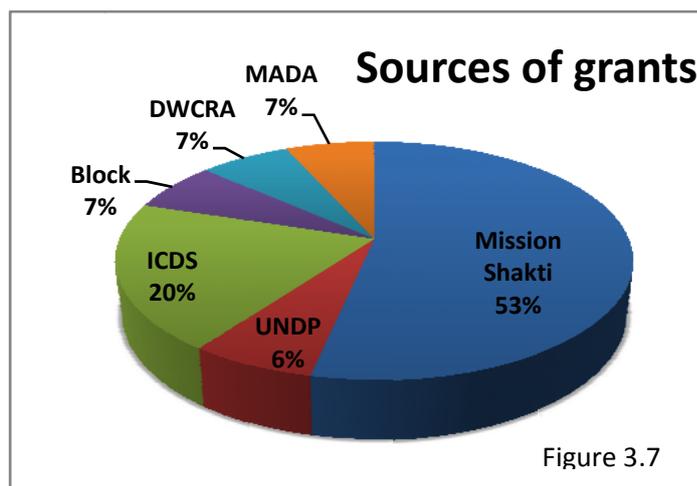


*Sources of loans other than banks:*

SHPIs, ICDS, MFIs, Watershed (govt.) etc

### Grants:

While credit comes with the obligation of repayment, grants on the other hand have no such obligations. Thus, grants, which are essentially one way payments, often hamper the credit cycle by breaking the financial discipline and saving and repayment habits of people.



The various sources of grants are listed in the fig below. It is found that Mission Shakti, implemented by the govt. is the major source of grants

and accounts for over 50% of the total grants to SHGs.

As it can be observed from the adjoining figure, almost all grants are primarily distributed through the numerous schemes of the government. Except UNDP grants, which account for a meagre 6% of the total quantum of grants to SHGs, others, even excluding the grants made exclusively by Mission Shakti, are essentially government grants secured under various schemes

### Maintenance of accounts:

Among the SHGs surveyed, it was found that in most SHGs (almost 60%), it was the NGO staff (in 30% SHGs) and the volunteers (in 30% SHGs) managing the records and keeping books of account. In about 1/4<sup>th</sup> of the SHGs

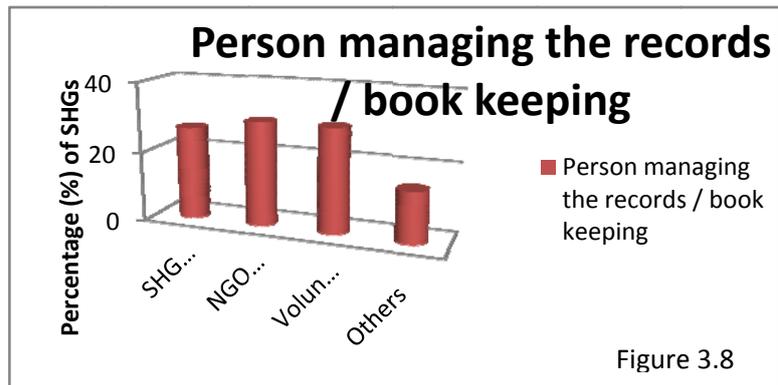
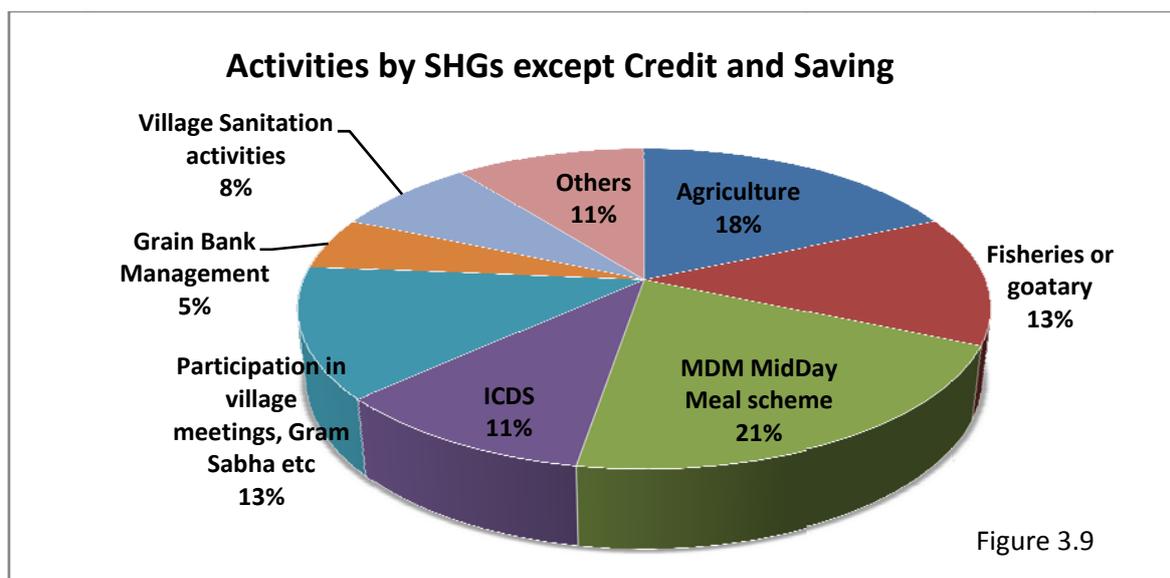


Figure 3.8

surveyed, it was found that the SHG members maintained their books of account. In another 15% of the SHGs, the Secretary or President were responsible for keeping the records, although the process was facilitated by NGO staff.

The data so obtained indicates that over 60% of the SHGs are dependent on external agents like the NGO staff or volunteers for maintenance of their books. This is a hindrance in achieving self sufficiency to the fullest extent and sustainability of the group. Independence in maintaining records is an important characteristic of a good quality group.

## Activities Undertaken:



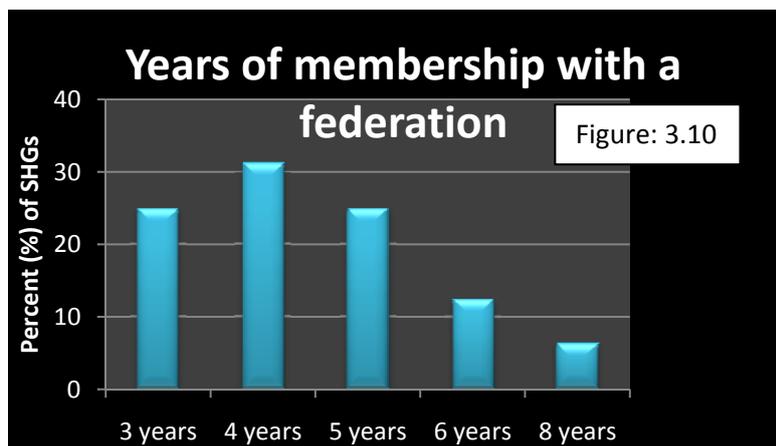
Typically, SHGs have been a forum for promoting and facilitating saving and credit facilities among its members. While this has been the primary role of SHGs promoted by MFIs and banks, some SHGs promoted by NGOs etc have found to pursue a wide range of activities at the community level that benefit the society. The host of activities undertaken by these SHGs include awareness programs on health, hygiene and safe drinking water, resolution of household conflicts, protection of women from social harassments, protection of forests among others. Other SHGs, usually those promoted by the govt. depts. are involved in other activities such as Mid Day Meal Schemes, ICDS (Integrated Child Development Scheme), MNREGA etc. The activities undertaken by SHGs vary across a diverse spectrum, with involvement in livelihood orientated activities like agriculture, fisheries etc to socially and politically empowering activities like participation in village meetings, Gram Sabhas etc. Over 61% of the SHGs surveyed were found to be involved in activities other than savings and credit.

## Federation Status:

The concept of federation was conceived by NGOs like PREM, ADHIKAR etc way back in 1995. However, at that time they were conceived more as a platform for providing organisational spaces to its members to increase their bargaining power in the local decision making process, and they didn't envisage the role of financial intermediaries as they do today. In recent times, a federation fulfils multiple objectives which include: Integrating groups and providing a common platform to share their experiences and problems, acting as

financial intermediaries between SHGs and banks and other financial institutions, balancing fund requirements between cash rich and cash poor SHGs, forming new groups, acting as an advocate for member groups, enabling the withdrawal of SHPIs etc.

It was found that 57% of the surveyed SHGs were a part of a federation. The duration of membership of the groups with the SHGs is given in figure 3.10.



. The main reason behind this being that once a member, the benefits of being a part of a federation are often enjoyed, irrespective of whether the group is a new or old member. Amongst the surveyed SHGs, all those groups which claim to be a part of the federation

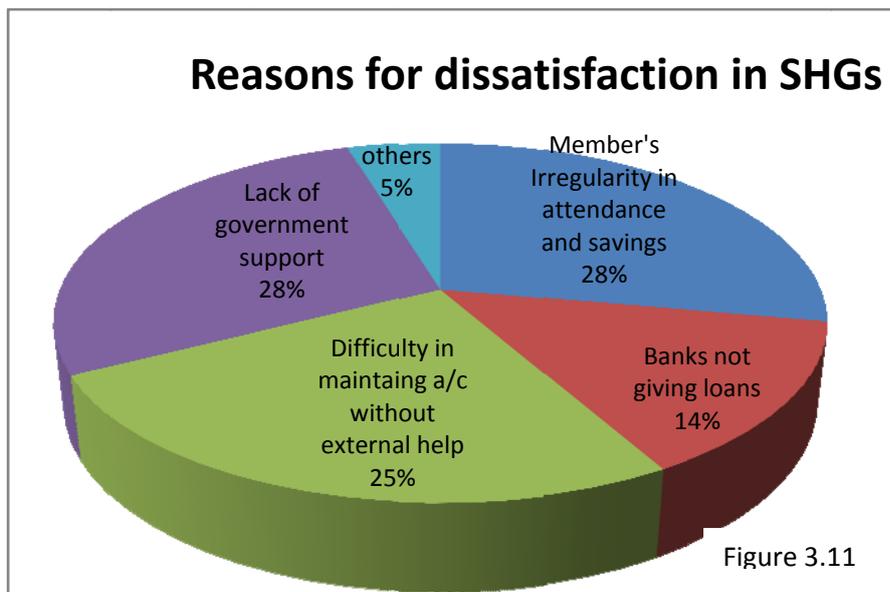
have minimum membership duration of 3 years. While 25% of SHGs have been members of federations for exactly 3 years, approximately 32%, 25% and 12% have been a part of a federation for 4,5 and 6 years respectively. Impressively, almost 6% of SHGs have been members of federations for around 8 years.

Moreover, among the 43% of the SHGs who weren't a part of any federation, some groups expressed a desire to promote their own federations in the next few years. This emphasises the importance and benefits of being members of a federation.

### **Satisfaction Levels with SHGs:**

An important criterion for the survival and sustenance of the SHG movement lies in the satisfaction levels of SHGs. Efforts were made to capture the perceptions of the group members regarding their satisfaction level with the performance and operation of the group and reasons for dissatisfaction, if any. The survey captured the following trends: The satisfaction-dissatisfaction divide was extremely close with 51% of the SHGs claiming they were satisfied with the way their SHGs were functioning. On the other hand, 49% of the sample SHGs expressed their dissatisfaction over the functioning of their SHGs. The reasons for their dissatisfaction, ranging from irregularity among members in attending meetings and

depositing savings, to lack of support by government and non co-operation by banks, have



been provided in the adjoin figure.

Almost 28% of the SHGs claimed that a major reason for improper functioning of the SHGs was attributed to the fact that members often do not turn up for the meetings which are

usually on a monthly basis. Resultantly, their saving deposits are also irregular and this has impacted the quality of discussions in the group, growth of group funds etc. An equivalent 28% also said that lack of any form of support from the government was a major hindrance for these groups. A quarter of the respondents said dependence on external agents like NGO staff, volunteers etc was a cause of their dissatisfaction. Around 14% claimed lack of co-operation on behalf of banks in forwarding loans to SHGs was an issue which raises a finger at the efforts by NABARD and other banking institutions to provide effective credit linkage. Remaining 5% of the respondents cited other reasons such as lack of access to low cost credit, the unfulfilled need for providing vocational training to members etc as the reason for their dissatisfaction.

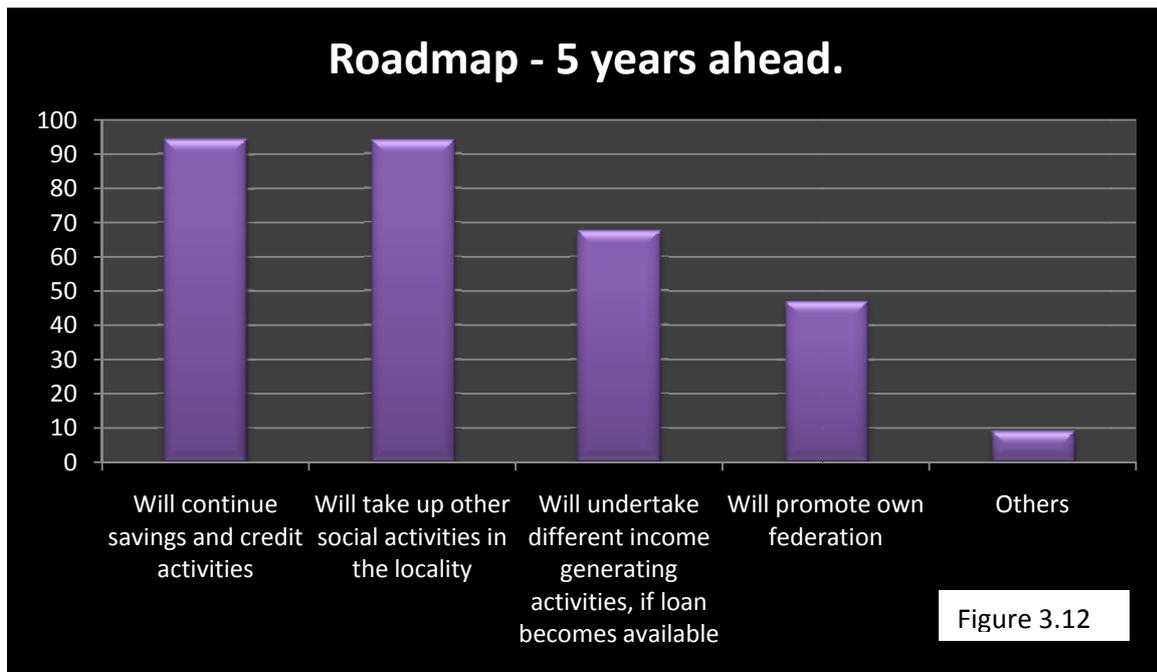
**Roadmap for SHGs – 5 years ahead:**

The study also seeks to gain an understanding of the SHG’s perception of their group 5 years down the line. In other words, attempts were made to understand how they viewed the functioning of their groups in the next five years, what kind of activities they wish to undertake/ expand what sort of roles they envisage undertaking etc.

While traditionally, SHGs were formed with the intention of acting as a medium/tool for deliverance of low cost, easily accessible finance to the poorer sections of society, today, they have a acquired a whole new meaning altogether. From the initial credit and savings activities carried out by them, and the livelihood activities additionally undertaken by them to ensure their sustenance, the scope of their activities has expanded beyond measure. Currently, SHGs

pursue diverse roles in the local development paradigm ranging from implementing social welfare programs initiated by the government like Mid Day Meal scheme, to delivering LPG gas cylinders to local households, to marketing products of MNCs wishing to capture the rural markets.

An attempt to understand the views and visions of SHGs depicted the following trends.



Approximately 94% of the surveyed SHGs said that they visualise their SHGs continuing their savings and credit activities in the next 5 years, along with expanding the scope of their activities to additionally take up diverse social activities in their communities and localities. Moreover, 67.5% claimed that they envisage the SHG undertaking different income generating activities, provided they have access to the required finance in the form of loans etc, and over 47% of the SHGs claim that they see themselves promoting their own federations in the next five years. Another 9% of SHGs see themselves pursuing other diverse activities such as adopting rotational leadership, promoting marketing facilities for themselves etc.

### Perception of benefits of SHGs: Boon v/s Bane

Interviews with SHG leaders and CEOs of SHPIs revealed that on the whole, people at both the grassroots as well as top levels do believe that the SHG movement has definitely served numerous as a boon. It has benefitted the people of economically underprivileged sections in

varied ways, ranging from social upliftment, to women empowerment, to emancipation on political and economic front.

The perceptions captured highlight the fact that access to membership of SHGs has helped women to crawl out of the domestic arena and take on new responsibilities. This in turn has enhanced their standing in society as well as within the household. This ilk of empowerment has also led to a decline in social evils like domestic violence etc.

Moreover, access to microfinance, by virtue of membership with a group, has enabled the standard of living of people to witness an unprecedented rise. While initially funds were needed to meet their consumption requirements, after prolonged access, they are now used to finance productive activities.

Other benefits include empowerment on the political front, wherein SHG members participate in Gram Sabhas, put up candidates for local Panchayats, and get actively involved in the local decision making process.

Additionally, social activities taken up by SHGs at their community level, such as campaigning against alcoholism, undertaking cleanliness and sanitation drives, promoting education and literacy etc, all contribute to a change in the social fabric for the better.

The advent of the SHG concept also brought along with itself various intangible benefits such as increased self confidence and self esteem among members, ability to effectively articulate and communicate their view point, an enhanced level of leadership and entrepreneurship etc. Apart from this, it also provides a sense of identity to its members which help to give them a feeling of security.

### **What went wrong?**

While the SHG movement holds tremendous power for ensuring the benefit of groups of people at large, like all other things, it is not a foolproof mechanism for change. Despite the fact that it has delivered on countless fronts, the movement truly lies at crossroads today. A list of reasons can be analysed for its current position.

The SHG movement, which started as being a tool for microfinance interventions, began getting exploited for the other purposes, after it delivered success. Numerous government departments made use of SHGs to implement the govt. schemes meant to be implemented by govt. staff (anganwadi workers etc) and their productive capacities were increasingly

stretched. This over-exploitation of the SHGs is one of the main reasons for the tumbling of the movement.

Secondly, lack of capacity building activities, lack of any efforts to promote and prepare members for increased responsibilities and managerial roles and other such inadequacies resulted in a major setback for the movement. It resulted in a handicap for the members who wished to pursue more ambitious roles, but failed to do so due to lack of necessary know-how.

Moreover, intervention of the government in the form of grants and subsidies to the SHGs (meant for their benefit) actually resulted in diminishing their financial discipline and dissuading their saving and credit habits, thereby indirectly threatening the very purpose for which they were formed. Govt. campaigns for promoting SHGs, like Mission Shakti etc backfired when it resulted in decreasing the quality of the groups and rising of NPAs. SHGs became a mere pawn in the political agendas which resulted in their downfall.

The MFIs compromised with the quality of SHGs while using them as a conduit to push their credit portfolio for achieving operational self sufficiency within a short span of time. The SHGs, on their part became members of different MFIs to avail fast and bigger amount of credit, thereby diluting the very basis of SHG formation. In the words of an interviewee, “the soul of SHGs was lost”.

### **Scope for revival:**

However, optimists believe that as in case of all markets, periods of boom and recession are inevitable, and hence the SHG movement will revive in the near future. After the recessionary phase of funds scarcity and high interest rates, now only genuine players shall remain in the field thereby ensuring a recovery. The fact that SHGs have been factored as in-built component in the National Rural Livelihood Mission augurs well for the future of the SHGs. The Micro Finance Bill which has been pending in the Parliament would give the required comfort level to the banks to upscale loan funding to the SHGs, if passed.

### **Sustainability of SHGs:**

The concept of group collectivism as a proxy for collateral and guarantee for credit is indeed an innovative idea that plays on the very basic human instincts of “man being a social animal”. Thus, while the concept inherently revolves around sustainability, great onus lies on

the development agents such as NGOs and other SHPIs. While a donor driven model is unlikely to be sustainable in the long run, a model wherein the SHPIs engage in a strategic intervention to provide a scaffolding to the groups in the initial stages and withdraw themselves in due course of time, leads to greater self-sufficiency and hence sustainability.

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## CHAPTER 4: SUGGESTIONS AND CONCLUSION

In order to promote and enhance the SHG movement in Odisha, some remedial measures can be put in place. The following section lays down some relevant suggestions and policy implications for the improvement of SHG movement in Odisha.

- **Capacity building initiatives:**

Lack of capacity building initiatives are one of the major impediments for SHGs. Emphasis needs to be placed on providing training related to financial literacy, management of group dynamics, skills to ensure smooth management and sustainability of their businesses. Thus initiatives for training and capacity building need to be stepped up. While many SHPIs are already doing this, this type of work needs to be scaled up. Moreover, these need to be made more affordable as the cost of such programs often put a burden on the groups or the promoting institutions

- **Book keeping and MIS:**

Although the dependence of SHGs on external agents for the maintenance of their accounts and book keeping has declined over the last few years, efforts need to be made to further minimize this dependence by providing training to the members on the methods and procedures for maintaining accounts and records. Moreover the concept of MIS needs to be popularised further among the groups and especially their promoting institutions, as it is a key component for building a successful microfinance program. Training needs to be provided on how to pursue standard practises such as member profile, monitoring indicators, analysis of over dues etc. which will help increase efficiency.

- **Skill development of SHG members**

Emphasis also needs to be placed on training the SHG members in specific skills that contribute to providing better economic opportunities as well as improving the functioning of the groups. While workshops on building entrepreneurship skills, marketing strategies etc facilitate increased productivity, other workshops on promoting leadership skills, team building activities etc contribute to an overall smooth functioning of the groups.

- **Strengthening and Promotion of Federations :**

As federations provide an important platform for discussion of issues, interaction among members, increasing the collective bargaining power of groups etc, efforts need to be undertaken to ensure promotion of a large number of federations, as well as to strengthen the existing ones. Around 45% of the SHGs surveyed consented to a will to promote their own federations, and serious efforts should be made to facilitate the same. NABARD need to invest more in a systematic manner towards promotion of federations.

- **Follow up on implementation of bank linkage program:**

The first phase of the SHG Bank Linkage Program by NABARD has brought about unprecedented benefits to the people, and its fallacies are addressed in the second phase. NABARD has already issued a circular (No. 65 (A)/MCID-04/2011-12 dtd 27<sup>th</sup> March, 2012) to all the scheduled commercial banks/RRBs/SCBs for revisiting the SHG-bank linkage programme. Some of the major suggestions of this guideline are as follows; allowing voluntary savings, modification of the credit product to suit members' needs, cash credit/overdraft system of lending for SHGs, term loans, enabling joint liability groups within SHGs, improving risk mitigation systems, building second tier institutions strengthening monitoring mechanism and addressing training requirements. Such measures, if implemented, will surely take the SHG movement in the country to new height.

However, the fact that most interviewees claimed to have heard of the phase II of the program, but are yet unaware of the details and have not yet acted upon it, is a major concern. Thus, a regular and sincere follow up on the implementation on the SHG Bank Linkage Program phase-2 needs to be done. Additionally, mechanisms to monitor the effective use of bank loans after the loan is availed need to be put in place (for example, whether the loan is being used for consumption purposes or other productive purposes).

- **Improve quality of groups promoted by Mission Shakti:**

A major concern about the SHGs promoted by the government programs such as Mission Shakti is the poor quality of the groups. Widespread opinion prevalent among the promoters and specialists is that the quality of the groups, in terms of the regularity of meetings, creditworthiness etc has been compromised for quantity. The main purpose of the formation of SHGs has infact been diluted with the onset of such inferior quality groups.

- **Micro-enterprise promotion and marketing facilities**

Another area where efforts can be made for improvement is regarding promoting micro-enterprises and providing marketing facilities. While various organisations are involved in such activities, these need to be taken up on a more massive scale to ensure that access to credit result in income enhancement for the SHG members.

- **Innovation in credit delivery mechanism**

Apart from strengthening and adding to the existing channels for credit delivery, innovations regarding new and alternative credit delivery mechanisms may be brought about. The directive of the think tanks in the field should be, to think of ways to not only enhance and improve the current mechanism, but also come up with novel ideas to put in place new credit delivery mechanisms that would contribute to greater benefit of the people.

- **Developing backward (procuring raw material) and forward linkages**

An important pre-requisite for ensuring the sustainability of SHGs is to develop backward and forward linkages. Such developments will help to strengthen the livelihood activities of the people which in turn helps them to attain self sufficiency and sustainability. While developing backward linkage include strategies for uninterrupted procurement of raw materials, smooth functioning of the production process etc, developing forward linkages involve methods adopted for promoting marketing activities etc. Both these are essential for survival and sustenance of the movement.

- **Role of NABARD**

It has been 20 years since the SHG movement began in the country and there is a felt need for rebuilding the movement with renewed vigour. NABARD has an opportunity to spell out the future of the SHG movement with the help of national consultations, surveys and research.

- ❖ In order to make the credit information bureaus( CIBs) function effectively and avoid multiple lending, the initial investments may be made by the Financial Inclusion Technology Fund housed under NABARD
- ❖ Funds under Financial Inclusion Fund should be invested in SHPIs working in backward and underserved regions, promoting the cause of financial inclusion.

### **Conclusion:**

The SHG movement in Odisha is indeed at cross-roads today. Inefficiencies in the administrative tiers of operation, leakages in the implementation system, lack of political will in some aspects (such as w.r.t. promotion of federations) or excessive politicisation in other aspects has caused the quality of SHGs to deteriorate, thereby compelling the SHG movement and thus the micro-finance sector into a rough patch. However, the sheer magnitude of the benefits of the SHG movement and micro-finance cannot be undermined and thus sincere and concerted efforts need to be made to ensure its survival.

Finally, it needs to be emphasised that there is immense scope for improvement and thus employing our resources efficiently can help us achieve our set goals and objectives on the development front. Hence, the solution lies in looking ahead and finding long-lasting and permanent answers to the various issues and incorporating these modifications at the earliest, to achieve the desired results.

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## Annexure- 1



### Are the self help groups in Odisha at a cross road? (A study by Madhyam Foundation)

#### Questionnaire

**Name of the SHG** : **Date of formation:**  
**Village** : **No. of Members:**  
**GP** : **Promoted by :**  
**Block** : **District** :

1. Does your SHG conduct monthly meetings regularly? **Yes/No**
2. Do all the members save with the SHG regularly? **Yes/No**
3. Has your SHG received loan from any bank? **Yes/No**  
If yes, how many times
4. Has your SHG received loan from any other source than bank? **Yes/No**  
If yes, please specify the sources and no. of times loan received
5. Has your SHG received any grant from govt. or any other sources? **Yes/No**  
If yes, please specify
6. Does your SHG undertake any activity other than savings and credit? **Yes/No**  
If yes, please specify those activities.
7. How are the book keeping managed in your SHG? By SHG members / by NGO staff / by volunteer / any other pl .specify.
8. Is your SHG a part of any federation? **Yes/No**

If yes, since which year?

9. Are you satisfied the way your SHG is presently functioning? **Yes/No**

If No, what are the reasons? (Please give a ✓ )

- a. Some members do not attend meeting & do not deposit monthly savings regularly.
- b. Banks are not giving loan to SHG
- c. We are facing difficulty in maintaining our accounts and other records without any external support
- d. Govt. is not providing any support to SHG.
- e. Any other (Please specify)

10. How do you see your SHG in next five years from now?

- a. We will continue our saving & credit activities
- b. We will undertake different income generating activities provided loan from banks or any other source become available
- c. We will take up other social activities in our locality
- d. We will promote our own federation
- e. Any other (Please specify)

**Date:**

***(Signature of the President/Secretary of the SHG)***

## Annexure – 2

### List of SHGs which participated in this study

| Sl# | SHG Names  | Promoted By                       |
|-----|--|-----------------------------------|
| 1   | Mauli Maa SHG, Gouda guda village, Malkangiri                | Puspac-Malkangiri                 |
| 2   | Mauli Maa SHG, Tekguda village, Malkangiri                   | Puspac-Malkangiri                 |
| 3   | Maa Santoshi SHG, Ramguda village, Malkangiri                | Puspac-Malkangiri                 |
| 4   | Maa Taarini SHG, Dariguda village, Malkangiri                | Self                              |
| 5   | Namita Ocard SHG, Biraguda village, Malkangiri               | Puspac-Malkangiri                 |
| 6   | Sri Arabindo Mahila Sanghathan, Sekpatna village, Balipatna  | DSS - Khurdha                     |
| 7   | Satyasai Mahila Sangathan, Mundahanapatna village, Balipatna | DSS - Khurdha                     |
| 8   | Subhadarshini Mahila Sangathan, Athantar village, Balipatna  | DSS - Khurdha                     |
| 9   | Basudev Mahila Sangathan, Ghasi Andhoti village, Balipatna   | DSS - Khurdha                     |
| 10  | Nipuna Teracotta Producers Group, Kandalsahi vill, Balipatna | DSS - Khurdha                     |
| 11  | Maa MAheshwari SHG, Baunsumi village, Boudh                  | YCDA-Boudh                        |
| 12  | Dadhibamana SHG, Palaspat village, Boudh                     | YCDA-Boudh                        |
| 13  | Sidheshwara SHG, Sangrampur village, Boudh                   | YCDA-Boudh                        |
| 14  | Mahadev Baba SHG, Maneswar village, Boudh                    | YCDA-Boudh                        |
| 15  | Maa Thakurani SHG, Bastampur village, Boudh                  | YCDA-Boudh                        |
| 16  | KMM Khulari-A, Khulari village, Kendrapada                   | Gram Utthan-Kendrapara            |
| 17  | KMM Bidyanagar-C, Bidyanagar village, Cuttack                | Gram Utthan-Kendrapara            |
| 18  | KMM Kanthipu-C, Kanthipur village, Cuttack                   | Gram Utthan-Kendrapara            |
| 19  | KMM Palikinara-H, Palikinara village, Cuttack                | Gram Utthan-Kendrapara            |
| 20  | KMM Paikinara-G, Paikinara village, Cuttack                  | Gram Utthan-Kendrapara            |
| 21  | Maa Mahalaxmi Mahila Mandal SHG, Gargab village, Kalahandi   | Lok Yojana-Kalahandi              |
| 22  | Maa Narayani Mahila Mandal SHG, Tempri village, Kalahandi    | Lok Yojana-Kalahandi              |
| 23  | Maa Budharaja Mahila Mandal SHG, Kumbhari village, Kalahandi | Lok Yojana-Kalahandi              |
| 24  | Maa Bhabani Mahila Mandal SHG, Dhanramal village, Kalahandi  | Lok Yojana-Kalahandi              |
| 25  | Maa Saraswati Mahila Mandal SHG, Tempri village, Kalahandi   | Lok Yojana-Kalahandi              |
| 26  | Sindhu Devi Mahila Sangh SHG, Maliput village, Koraput       | Pragati-Koraput                   |
| 27  | Maa Laxmi SHG, Kamarguda village, Koraput                    | Self/ Pragati-Koraput             |
| 28  | Christo Mahila Sangh, Badel village, Koraput                 | Pragati-Koraput                   |
| 29  | Ananta Mahima SHG, Sishaput village, Koraput                 | Pragati-Koraput                   |
| 30  | Brundabati SHG, Kitwa village, Koraput                       | Pragati-Koraput                   |
| 31  | Ma Hundidevata SHG, Hanjarpentha village, Koraput            | Pragati-Koraput                   |
| 32  | Maa Maanikeswari SHG, Mohangiri village, Kalahandi           | Maha Shakti Foundation- Kalahandi |
| 33  | Maa Santoshi MSS SHG, UperNuagaon village, Kalahandi         | Maha Shakti Foundation- Kalahandi |
| 34  | Jai Jagannath MSS SHG, Manikera village, Kalahandi           | Maha Shakti Foundation- Kalahandi |
| 35  | Maa Mangala SHG, Mohangiri village, Kalahandi                | Maha Shakti Foundation- Kalahandi |

### *Annexure – 3*

#### *List of key informant interviewees:*

##### **Interview with CEOs of SHPIs:**

- ❖ Mr Kedareshwar Choudhury, Secretary, Darbar Sahitya Sansad, Dt: Khurdha
- ❖ Mr Govind Dash, Secretary, Gram Utthan, Dt: Kendrapara
- ❖ Mr Parsuram Nayak, Managing Director, SMCS, Bhubaneswar
- ❖ Mr Nagendra Kumar Acharya, Consultant, Odisha Livelihood Mission, Govt of Odisha

### *Annexure – 4*

#### *List of charts and graphs:*

- *Fig. 2.1* Schematic Representation of poverty trap and benefit of micro-finance
- *Fig. 2.2* Percentage Growth in SHGs in Odisha
- *Fig. 3.1* Regularity in monthly meetings of SHG members
- *Fig. 3.2* Regularity in savings by SHG Members
- *Fig. 3.3* SHG Monthly Savings Average
- *Fig. 3.4* SHG Bank Linkage
- *Fig. 3.5* Frequency of loans received by SHGs from Banks
- *Fig. 3.6* Frequency of loan received by SHGs from Non-Bank sources
- *Fig. 3.7* Sources of grants
- *Fig. 3.8* Person managing the records/ book keeping
- *Fig. 3.9* Activities by SHGs except credit and savings
- *Fig. 3.10* Years of membership of SHGs with a Federation
- *Fig. 3.11* Reasons for dissatisfaction in SHGs
- *Fig. 3.12* Roadmap of SHGs

## *Annexure – 5*

### *List of reference books/reports:*

1. Subrat Kumar Singhdeo, Rabindra Sahu, Pradipta Sundaray; *“Status of Microfinance Intervention in Orissa – A study”*; commissioned by CARE, Orissa,2002.
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4. Ajay Tankha; *“Banking on Self Help Groups – 20 years on”*; ACCESS Development Services and Sage Publications; 2012
5. Kim Wilson; *“The New Microfinance – An essay on the SHG movement in India”*; *Journal of Microfinance (Volume 4 Number 2)*
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7. ACCESS Development Services; *“SHGs and their Federations in Orissa”*;Commissioned by TRIPTI, Govt of Odisha
8. *NABARD Annual Reports*