1 EXECUTIVE SUMMARY

The Karnataka Evaluation Authority has assigned the task of "Evaluation of Udyogini Scheme Implemented in the Period 2010-11 to 2014 -15 by the Karnataka State Women's Development Corporation" to the Energy and Resources Institute (TERI), Bangalore.

The study aimed to evaluate the extent of individual who are empowered economically through the Udyogini scheme, to assess if the selection of beneficiaries is fair, transparent and based on guidelines, understand whether the scheme has made the women self-reliant or not, to understand if aims and objectives of the scheme are achieved, identifying constraints in implementation and to suggest measures for improving the scheme.

A maximum loan amount of Rs. 1,00,000 is provided under the scheme from banks, while the KSWDC provides a marginal subsidy of Rs. 7,500 to beneficiaries belonging to general and minority communities. The subsidy for SC/ST, destitute, physically challenged and a widow is Rs. 10,000 during the study years. Since the subsidy amount is not a sizeable amount, the impact of the subsidy per se and the support provided by KSWDC is not discernable. However, if seen in totality, the loan amount has been useful to the extent of supporting ongoing businesses and helped several others establish new businesses.

The methodology used for the study, as proposed in the ToR included focus group discussion with taluk selection committee (CDPOs and supervisor), district selection committee (Deputy Directors and Lead Bank Managers), survey of beneficiaries, verification of records, interview with key informants such as district inspectors, bankers, training coordinators of training institutes and documenting few success stories. The sample was selected using the two stage cluster random sampling in which the four revenue divisions of the state formed the first cluster. Within this cluster, the districts in which the highest and lowest numbers of beneficiaries under the scheme were covered in a year formed the second stage cluster. A total of 1091 beneficiaries were interviewed across the selected 9 districts, along with 9 district selection committee, 58 taluk selection committee, 67 bankers at district and taluk level, and 7 training coordinators.

The study was limited by the lack of baseline data on the social and economic status of the beneficiaries and SHGs, which made it difficult to accurately assess the impact of the scheme based on facts and figures. Under this scheme, the major component of loan if supported by the banks, while the subsidy, a fairly small amount is supported by the KSWDC. Many of the beneficiaries are members of Sthree Shakthi SHGs for fairly long period of time, which may influence their articulation of growth and empowerment. It is needless to say that such beneficiaries expressed that they have access to loans in their SHGs. Some beneficiaries have also availed bank loans, which has enhanced the financial resource available to them for productive purposes. At the time of field visits, lack of records for the loans taken limited the understanding on the repayment aspects. These factors made it difficult to bring out the benefits from the Udyogini scheme in isolation per se. The impact is thus understood in the eyes of the perception of the beneficiaries.

An overview of the findings viz-a viz objectives of the scheme are:

i. *To prevent women entrepreneurs from borrowing money at higher rates of interest from money lenders.*

The availability of loan under the scheme has prevented the beneficiaries from borrowing money at higher rates of interest from money lenders (as mentioned by 68% respondents), however, the access to loans through SHGs, hand loans, chit funds cannot be discounted. However, accessing business loans from banks has been made possible through the Udyogini scheme, which will enable the beneficiaries to establish a long standing relationship with the banks for future financial support for their business.

ii. *To empower women by providing loans through Banks and other financial institutions by giving a subsidy from the Corporation to undertake business activities / micro enterprises.*

Economic empowerment increases women’s access to economic resources and opportunities including jobs, financial services, property and other productive assets, skills development and market information (OECD). The Udyogini scheme has provided access to financial resources to the beneficiaries, which, has been used to start new business activity or to improve the existing income generation activities of beneficiaries, thus improving the profit from the activities. However, it must be noted that the subsidy component is marginal (maximum of Rs. 10,000 for SC/ST, destitute, physically challenged and widows and Rs. 7,500 for other women, with a maximum loan limit of Rs. 1,00,000), while it is the loan component from the bank that has been substantial.

iii. *To assist women in gaining self-reliance through self-employment, especially in trade and service sector.*

Udyogini has supported several women to start up new enterprises, thus enabling them to take a step towards self-reliant through self-employment in trade and service sectors. For other entrepreneurs who have utilized Udyogini loans to improve/ expand their business, the scheme has helped strengthen the self-employment activity.

iv. *To have the skill to deal with organizations helping for financial assistance.*

The Udyogini scheme has enabled financial assistance to several women to establish new enterprises. For such beneficiaries, with no previous experience in dealing with financial institutions, interaction with the bank has given them the skill to deal with the bank. Once the entrepreneurs had repaid their loans in time, it has given them the confidence to approach the bank and other financial institutions for financial assistance.

A detailed analysis of the evaluation questions brought out interesting findings which are presented below:

Selection of beneficiaries

i. *Is there a uniform calendar of events followed throughout the State under this scheme with regards to calling of applications, processing them and sanctioning the loan and subsidy amounts? If not, what has been the calendar of events for each district under the scheme for the three years 2012-13 to 2014-15?*

In all FGDs it was found that there is a common calendar of events given by the head office. However, it was not possible to strictly follow the calendar of events due to various practical reasons such as delay in receipt of funds from the Government, inadequate number of applications received, slow processing by banks, non-availability of chairperson (MLA) for selection committee meetings etc.

ii. *Should there be a uniform calendar of events for the State as a whole under this scheme?*

48% TSCs stated the need for uniform calendar of events for the State and 5 out of 9 DSCs felt the same. All bankers opined that a uniform calendar of events where the loan disbursal process is complete by December of every year would be realistic and useful.

iii. *What is the process by which applications are called for from applicants under this scheme? Is the process penetrative enough to reach all the villages and hamlets of the district concerned so that all eligible women come to know of it and apply? If not, what is the methodology suggested by the Consultant Evaluation Organization doing the study to bridge the gap?*

This question was discussed with the TSCs. Applications are called for mostly through advertisement in the newspaper (58) and notice boards (27). Information is also given to the community through Supervisors and Anganwadi teachers (39). Other modes of communication included grama sabhas and mothers' meetings conducted in anganwadis (26). All the TSCs felt this process was penetrative. Social media, advertisement in TV and radio, discussions in SHG meetings, NGOs working for people with disability, destitute and widows, old age homes, pamphlets spread through peers could be adopted to make the process more penetrative.

iv. *Whether there is a basis or documented set of norms under which the District level Selection Committee makes the 3:1 selection of applicants? If indeed there is one in place, what are they? Are they fair, transparent and judicious? If not at all or partly so, what set of norms can be suggested under which the District level Selection Committee can make the 3:1 selection of applicants?*

There is Government order clearly stating the norms under which the DSC makes the 3:1 selection of applicants, which are fair, transparent and judicious. However, discussions with TSCs and DSCs revealed that although the above norms are in place, they are unable to follow the same in some cases due to receipt of inadequate applications, political interference, inadequate applications for establishing new businesses etc. It was observed that some modifications may be incorporated in the scheme guidelines to enable better implementation.

v. *Whether there is a basis or documented set of norms under which the bank receiving the applications makes the final selection of applicants (beneficiaries)? If indeed there is one in place, what are they? Are they fair, transparent and judicious? If not at all or partly so, what set of norms can be suggested under which the bank can make the final selection of applicants (beneficiaries)?*

Discussions with the Lead Bank Managers and Taluk level Bank Managers revealed that they first verify the scheme norms as mentioned for 3:1 shortlisting of the candidates by the DSC. Once this is done, the credit worthiness of the candidate, their transactions with the bank and CIBIL score is verified. Only if these are satisfactory, the bank does spot verification of the existing unit or the proposed unit and finalises the selection.

vi. *Is the CIBIL score of applicants used in the process of selection of beneficiaries? If not, whether or not it will be advisable to use the CIBIL score of applicants for making the 3:1 or final selection? If yes, whether it should be used only by banks or by the District level Selection Committee, or both?*

Overall 73% bankers consider CIBIL score for beneficiary selection, while 27% stated negative. Generally it was observed that Grameena banks, Cooperative Societies do not consider CIBIL score. However, they prefer candidates with good rapport and transaction with the banks.

Bankers have the access to verify the CIBIL score of all candidates. The applications going to the DSCs are usually vetted by the banks beforehand since most TSCs get the applications verified by banks before sending the applications to the DSC. Hence applications submitted to the DSCs have been verified for CIBIL score. This is a good process and could be continued.

vii. *What has been the loan sanction (number) wise and loan sanction (amount) wise share of widows, destitute and disabled women in each of the financial years of the evaluation period? Does this indicate that there was indeed a preference for loans sanctioned to widows, destitute and disabled women as mandated? If not, how can the share be increased?*

Overall, about 7% of the beneficiaries belong to preferred categories of beneficiaries. This percentage is very similar to the study findings, where 6% respondents belong to such category. There is much scope to enhance the number of applicants under these categories, by better publicity which will help reach out to such people.

Regarding process preceding getting loans

viii. *What has been the mean and median time taken by each district from the date on which the loan application is received to the date on which applications are sent to the District level Selection Committee, and from there to the date on which the meetings of the selection ends, and further from there to the date on which banks receive the 3:1 applications and actually sanction the loan? Can the process be improved for faster and better results? What could they be?*

a) *Receipt of loan applications and sending it to District level selection committee:* Overall mean is 47 days and median is 30 days. Uttara Kannada mean is 24 and median is 30 days, while Yadgir mean is 150 and median is 180 days.

b) *Number of days taken by District level selection committee to complete the meetings after receiving the loan applications:* Overall mean is 30 days and median is 25 days. Uttara Kannada mean is 14 and median is 15 days, while Bangalore urban and Belgaum mean is 51 and median is 60 days.

c) *Number of days taken by District level selection committee to send 3:1 applications to banks after meeting ends:* Overall mean is 18 days and median is 15 days. Uttara Kannada mean is 8 and median is 5 days, while Kodagu mean and median are 30 days.

d) *After receiving 3:1 applications how many days bank takes to finalize beneficiaries and sanction loan:* Overall mean is 43 days and median is 30 days. Uttara Kannada mean is 19 and median is 20 days, while Mysore mean is 86 and median is 90 days.

This indicates that the mean and median time taken for the various steps in each district are varying considerably and this was affected by several factors such as availability of selection committee members, availability of staff to process the files, timely processing by bankers etc.

ix. What are the Skill development training been imparted to beneficiaries? Have these trainings been helpful?

Skill development training are not imparted to beneficiaries under this scheme. However, a 3-day mandatory entrepreneurship development programme (EDP) are conducted for beneficiaries. About 69% beneficiaries interviewed have attended the EDP, while 29% did not participate. It was found that 89% of those who did not attend the EDP were not aware of the programme, while 6% were not interested, and the remaining gave other reasons. Nearly 88% expressed that the training was useful, 6% felt it was not useful and 3% were not clear about the usefulness. Among those who felt training was useful, 65% expressed that EDP was useful to some extent, 26% felt it was useful to a considerable extent and 8% felt it was useful to a less extent.

x. What is the percentage of number of beneficiaries in whose case the banks demanded collateral security? (District wise year wise figures may be provided). Is it proper or necessary that collateral security be insisted by banks in this social scheme partly subsidized?

Despite the fact that the scheme specifies that collateral security is not required for Udyogini loan, nearly 16% respondents had given collateral security. However, in some cases it was found that the documents insisted (LIC bond, guarantor signature) do not strictly qualify as collateral security. This was especially true in case of beneficiaries who had received a loan of above R. 50,000. District-wise figures are discussed under 10.2.2 sl.no. 11

After the Loan

xi. Whether the beneficiaries have undertaken the business activity sanctioned by the bank after availing the benefit? If so, have they continued with the activity? If not, what are the causes for the deviations?

Among the total 1091 respondents interviewed, 85 have not received any loan amount; hence the question of utilisation does not arise for these respondents. Therefore, out of the remaining 1006 respondents, 47% have utilised the loan for improving/ expanding existing business, 49% have utilised it for starting new business and 4% have not utilised loan amount for the sanctioned purpose. Overall, 86% beneficiaries are continuing the business, while 14% are not. Reasons for deviations include genuine financial difficulties, wilful deviation, loss in business etc.

xii. Whether Udyogini scheme has improved the economic and social conditions of beneficiaries? If yes, to what extent? Outstanding (both success and failures) and interesting cases may please be documented as case studies? (Consultant Evaluation Organization doing the study may create indicators for measuring this on perception of the members and then report on its basis comparing status prevailing during 2009-10). If the answer to this question is in the negative from the data collected, what have been the causes of failure in realization of the primary objective of the scheme?

It may be inferred that 96% of the respondents stated there has been an improvement in economic condition as a result of the entrepreneurship activity. Overall 46% mentioned that the improvement in economic condition was considerable, 48% to some extent and 6% stated it was to a less extent. Overall it may be inferred that majority of the respondents expressed considerable improvement in access to credit (64%), habit of savings (58%), involvement in decision making in household and financial matters (42%) and individual income for personal use (50%). All of these are important indicators of economic empowerment.

It can be derived from the above that 91% stated that there was an improvement in social condition as a result of the entrepreneurship activity, 5% were not sure, 3% did not perceive any change. Overall, 45% expressed considerable improvement in social condition, 53% to some extent and 2% to less extent. Overall it may be inferred that majority of the respondents expressed considerable improvement in self-confidence (68%), mobility (46%), recognition in family/ community (44%) and interaction with outsiders and communication skills (48%). All of these are important indicators of social empowerment.

Case studies have been documented in section 10.4 of the report.

xiii. *In what percentage of all units established under this scheme (information will be needed district wise and year wise) have plaques stating "Unit Financed By Karnataka State Women Development Corporation" displayed? What were the main reasons for non- conformity with this requirement?*

The study revealed that 86% beneficiaries had not displayed a plaque, while 14% had displayed a plaque acknowledging support from KSWDC. The most common reason for not displaying the plaque is lack of awareness of the mandate in the guidelines to display the board.

xiv. *What is the performance of repayment of loans with regards to timely repayment of instalments and clearing the loan (irrespective of the time taken to do so) completely? What are the reasons for cases of non- payment? What measures can be suggested to improve the timeliness of instalments and clearance of loans (other than waiver)?*

The study brought out the fact that 51% had repaid and close the loan in time, 32% had ongoing loans, 9% had not repaid in time/ were defaulters, while 8% had not received any loan amount. The reasons for overdue or defaulting loans included genuine financial difficulties (59%), wilful deviation (24%) and other reasons such as drought, death of cattle, domestic issues, health issues etc. Suggestions for timely repayment include regular follow-up by DWCD ground staff, lower bank interest, stringent action for non-repayment, support for marketing products, proper training to beneficiaries, avoid political interference etc.

xv. *Please document 3-4 outstanding examples of success under the scheme which is worthy of emulation and being flagged as case studies. Similarly, are there some examples of failure that result in learning for future?*

Case studies have been documented in section 10.4 of the report.

xvi. *Should the scheme be continued? If yes, with what modifications/ recommendations? If no, why so?*

A vast majority, i.e. 95% affirmed that the scheme should continue, 2% stated negative, 3% were not sure. The scheme could be continued with some changes in the guidelines and procedures. Majority of the respondents stated that the loan amount and subsidy amount has to be enhanced. Some of them also expressed the banks need to reduce rate of interest, make it interest free, ensure fairer and faster selection of beneficiaries and better guidance from KSWDC/ banks. Suggestions for modifications are discussed in the chapter on recommendation.

xvii. *Is the current loan amount adequate? Is there a need to increase the maximum loan amount?*

As per the Government order Ma. Ma. E./78/ WCD/2016, Bangalore dated 6/7/2016, there is a difference in subsidy for various category of women, for instance, for SC/ST it is Rs. 50,000 or 50% of loan amount whichever is lesser, Rs. 7500 or 20% whichever is lesser for general and minority category and Rs. 10,000 or 30% for widows, destitute and disabled women. Evaluate the advantages and disadvantages of this and recommend suitable subsidy for each category of women.

The study findings reveal a mixed response, where 49% stated that the loan amount is adequate and 45% affirmed that it was inadequate. Overall it may be inferred that 85% suggested to enhance the maximum loan amount to above Rs. 1,00,000 upto Rs. 2,00,000, 10% said it could be made Rs. 2,00,000 – 3,00,000/- and 5% expressed it could be above Rs. 3,00,000/-

Overall, about 62% opined that the subsidy was inadequate, 18% stated it was adequate, 16% did not respond and 4% were not sure of the response. The overall picture reveals that 52% respondents prefer the subsidy to be 40-60%, while 43% prefer it to be 20-40% of the sanctioned loan amount.

A vast majority of the respondents, i.e. 68% stated that differential subsidy based on caste category should not be continued and it must an equal subsidy for all since women empowerment has to be addressed on an equitable platform. Women across all locations specifically mentioned that subsidy must be equal for all women, however, some additional amount maybe given to destitute, physically challenged and widows.

xviii. Is the full sanctioned loan amount being released from the banks?

Among the total 1091 beneficiaries interviewed, 864 (79%) stated that they had received the loan amount in full, while 227 (21%) stated that they received not received the amount in full (partial or full amount not received). The study found that among those who did not receive the full amount, 46% mentioned that subsidy amount had been withheld, 17% stated that a random amount ranging 25-50% of the sanctioned amount had been deducted towards bank charges, middleman charges, insurance etc., while 37% stated that they had not received any loan amount.

xix. Have the bank accounts of the beneficiaries been linked to Aadhar card?

It was found that 83% of the banks had linked the accounts of beneficiaries to Aadhar card, while 14% had not and 3% mentioned they were not sure.

xx. Are the Entrepreneurship Development Programmes (EDP) useful? Is there a need for changes in the training syllabus?

The usefulness of the EDP has been discussed under serial no. 9 in this table. Overall, just 7% expressed the need for change in syllabus, 6% could not recall the syllabus to make any comments and 85% opined that changes are not required. Other than a session schedule, detailed modules were not available in most institutes. Hence, in-depth analysis of training content could not be taken up. It is evident that a revamp in the overall content with more focus on practical sessions in keeping with the profile of participants and standardisation is required in the training content.

When queried about the need for skill training irrespective of whether the respondents require skill training, 73% mentioned they do not require training, 22% stated they need skill training, while 4% were not sure. Among those who expressed the need for further training, majority of them stated they require training in topics such as animal husbandry, advanced tailoring, machine embroidery, computer training, business development etc.

xxi. Is follow-up of beneficiaries being done?

The study showed that there was no follow-up in 62% cases, while 38% claimed there was some form of follow-up.

xxii. *From 2016-17, the selection committee is being chaired by the MLA. What is the impact of this on programme implementation, evaluate the advantages and disadvantages*

In majority of the DSCs and TSCs, the discussions revealed that this had led to undue delays and political interference in selection of beneficiaries. However, in Dakshina Kannada this did not seem to be an issue. Comparison of time taken for selection of beneficiaries prior to change in guidelines reveals that earlier the process was completed in less than 2 months, while it takes 4-6 months after introducing the MLA-led Committee.

xxiii. *Recommendations for improving the effectiveness of the scheme*

Recommendations have been discussed in the chapter on recommendations.

The study indicates the scope to simplify loan documents, standardise the loan sanction process, undertake stringent selection of genuine women beneficiaries, modify the chairmanship of the selection committee, enhance the loan amount and subsidy, focus the subsidy on the need/ vulnerability rather than caste, strengthen the KSWDC human resource and infrastructure at district level and establish appropriate systems for monitoring and documentation to make the process simpler, faster, more transparent, effective and free of political interference. The selection of beneficiaries must be based on stringent verification and evaluation criteria and action must be taken for deviation in utilisation and 'proxy' entrepreneurs (women who pose as entrepreneurs while their men folk operate the business). The prescribed annual income for selection of beneficiaries needs to be revised and made realistic considering the current socio-economic scenario. The study clearly brought out the need for strengthening the beneficiaries in terms of marketing linkages, sourcing of raw materials; provide better linkages to other government scheme, thus providing inputs for sustainable functioning, along with hand-holding support until they achieve financial sustainability.

There is a need to make empowerment of entrepreneurs as the overarching goal of the scheme in both letter and action, and provide better support to genuine and vulnerable women in need such as physically challenged, destitute and widows.

However, the objective specified by the KSWDC for Udyogini scheme and its active role in this scheme seems to be inverse. Hence these need to be redefined appropriately in keeping with the overall mission of the KSWDC along with clarity in roles and responsibilities between the banks, KSWDC and DWCD.