

Terms of Reference for the Internal Evaluation of Microcredit loan Scheme implemented in the period 2008-09 to 2012-13 by the D.Devaraj Urs Backward Class Development Corporation Limited

1. Study Title

The title of the study is “*Evaluation of the Microcredit Loan Scheme Implemented in the period 2008-09 to 2012-13 by the D.Devaraj Urs Backward Class Development Corporation Limited*”.

2. Background Information

Microcredit loan is given to skilled and unskilled persons belonging to backward classes of rural, urban and semi urban areas to take up small business activities and in accordance with a Government of Karnataka order no. SWD/96/SDC/2006 dated: 14.05.2007. Each individual beneficiary is given Rs.5000 at 5% rate of interest (Rs.2500 subsidy and Rs.2500 loan) through SHGs. These schemes are being implemented since 2007-08. As per Government of Karnataka order no.SWD/48/SDC/2011 dated: 04.05.2011, the loan amount (rate of interest 5% on loan portion) has been enhanced from Rs.5000 to Rs.10000, with Rs 5000 as the subsidy.

As per Government of Karnataka order no. BCD/487 BMS 2013 dated: 31.08.2013, the loan amount has been increased to Rs. 10,000 with Rs.5000 being the subsidy (total assistance is Rs 15000). The rate of interest is 4% for the loan amount.

3. Objectives of the Scheme

- (a) To support small business activity of the skilled/unskilled persons belonging to Backward Classes.
- (b) To provide financial support to persons Below Poverty Line (BPL).
- (c) To prevent the backward classes people from going to money lenders to seek financial help at higher interest rates.
- (d) Confidence building among backward classes to face competitive situations.

4 Objectives of the Study

The study will evaluate the extent individual backward class members are empowered economically through SHGs. Whether the benefit of the scheme has prevented the beneficiaries (within SHGs) from going to money lenders to borrow loan at higher interest rates or not will be verified. Analysis of SHGs/ individual beneficiaries will be done to arrive at conclusion on the following points.

- a) Current status of individual beneficiaries and impact on economic status of individuals.
- b) Awareness created to face competitive situations and make them self employed.

- c) To identify the constraints in implementation and to suggest measures for the improvement of the existing scheme.
- d) To collate suggested measures for improvement of functioning of the scheme,
- e) Bottle necks experienced by beneficiaries in banking transactions.

5 Implementation Process

There is a Selection Committee headed by Hon'ble legislators of the constituency which makes the selection of beneficiaries. The District Manager of the Corporation is the member-secretary of the Selection Committee. The District Manager in turn submits the proposals to Head Office with a request to release loan and subsidy. The proposals received from District Managers are examined in the Head Office and the financial assistance cheques along with sanction orders regarding the SHGs and the members who are to be given the financial assistance. The District Manager gets the required security documents from the SHGs/beneficiaries, and guides the groups for proper utilization and prompt repayment, by conducting Pre disbursement Council (PDC) then releases the cheques along with the pass books in the name of the SHGs, which is mentioned in the sanction order.

6 Scope of the Scheme

The scope of the scheme is the entire State of Karnataka. A backward class person who is not a government/semi government official, with or without skill, is eligible under the scheme. The financial assistance is given for small scale business activities like sale of flowers, fruits, vegetables, milk etc to the SHGs members. Since 2007-08 to 2013-14, the physical and financial progress is as follows-

Sl. no	Year	Target Fixed		Achievement	
		Physical(beneficiaries)	Financial(lac rupees)	Physical(beneficiaries)	Financial(lac rupees)
1	2007-08	11300	565.00	13339	565.00
2	2008-09	8000	400.00	7766	387.93
3	2009-10	10000	500.00	10000	500.00
4	2010-11	10000	500.00	9031	451.54
5	2011-12	5000	500.00	4602	460.20
6	2012-13	5000	500.00	2939	293.90
7	2013-14	4000	600.00	4637	653.95

The period of evaluation of the study is confined for the years from 2008-09 to 2012-13.

7. Evaluation Questions

- 1) Whether the Committees meant for selection of beneficiaries are making proper selection? In how many cases (percent wise) the selection was found to be faulty?

- 2) Are the beneficiaries selected only of BPL families or have there been any violations to it?
- 3) Whether all eligible beneficiaries selected for assistance (by the Selection Committee) of backward classes and skilled/unskilled members of SHGs are getting the benefit? If not, why not? What is rate of rejection at different stages after being selected and reasons for that?
- 4) What is the average time taken, from the date of selection by Committee to actually getting the loan? Can this time be cut down or the process modified in the interest of more effective implantation of the scheme? How?
- 5) What are the Pre Disbursement Council (PDC) activities in which beneficiaries are trained? Are they enough and complete with regards to the intent of the scheme? Do beneficiaries derive any benefit from it? Does it serve the purpose of informing the beneficiary about what he/she is expected to do with the financial assistance?
- 6) Whether the beneficiaries are made aware of the repayment schedule of the loan received under this scheme? How is that made? Is it effective communication?
- 7) Whether SHGs have given the correct and full amount of loan sanctioned to their members timely and fully? If not, what are the deviations and why?**How many Male & female SHGs assisted? What is the ratio of male and female SHGs and Why this difference?**
- 8) Whether the SHGs members have undertaken small **skill** business after availing the benefit? If so, have they continued the activity? If not, reasons to be furnished.
- 9) Whether the beneficiaries of scheme have continued business activities (as on the date of evaluation) after availing the benefit? If not, give reasons.
- 10) Whether the beneficiaries are utilizing the loan for the purpose for which it was sanctioned? If not, what action is taken in case of misutilisation?
- 11) Has the scheme encouraged the beneficiaries for self development? If yes, to what extent?
- 12) Is the pass book given to each SHG for credit and repayment of loan? If yes, is the repayment detail entered by the District Manager in the pass book correctly and regularly? If not, why not?
- 13) What is the amount of loan (year wise) taken by the SHGs/Individuals selected for evaluation? Whether the loan has been repaid timely and completely (if the loan has been waived off then the performance is to be seen as on the date on which the waiver took place)? If not, what is the payment percentage and what are the reasons for cases of non-payment?
- 14) Is the repayment done by the beneficiaries as prescribed under the scheme? If not, what is the action taken on such beneficiaries who have delayed or defaulted in doing so? Has any recovery been effected using the authority of collecting the dues as if it were an arrears of land revenue?
- 15) Government has announced loan waiver scheme recently. Whether the beneficiaries who have availed the loan before 13.05.2013 are aware this?
- 16) What is the amount of loan and interest which was waived by government after the loan waiver scheme was announced? What has been the impact of the loan waiver for beneficiaries and the repayment schedule compliance? Is there reliable indication

to suggest that this may result in unwarranted or unintended consequences like willful default?

- 17) Is there any development in the business activity undertaken under this scheme? If so, are they getting better profit from the business? If not, why not?
- 18) Has the monthly/annual income of the SHGs members increased? If so, to what extent? Give details with few examples of increase/decrease in income.
- 19) Has the economic condition of the beneficiary families improved? (Evaluator to create indicators for measuring this and then report on its basis). If not, give details.
- 20) 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?

8. Evaluation Sampling Methodology:

- (a) The scheme is being implemented in all the 224 assembly Constituencies of 30 districts of Karnataka. One assembly Constituency per district will be selected at random for the entire evaluation period drawing of sample.
- (b) At least 5 SHGs (one corresponding to each financial year from 2009-10 to 2013-14) to be selected in each constituency in such a way that at least one SHGs is selected from urban area, at least one from semi urban area and one from rural area with totally at least 60 beneficiaries to be selected for evaluation.
- (c) At the rate of 60 beneficiaries in each constituency $30 \times 60 = 1800$ beneficiaries to be selected for evaluation. In case there are less than 60 beneficiaries in a constituency, more beneficiaries to be covered in other constituency or more number of SHGs groups to be selected.
- (d) Among the total beneficiaries, physically handicapped, illiterate, women, persons doing business locally, doing business in other places, and those who don't do business to be adequately represented.
- (e) District Managers to provide the list of beneficiaries and SHGs to the evaluator.
- (f) All the 60 beneficiaries in the constituency to be interviewed regarding microcredit loan scheme and the activities under taken by them and its impact. Detailed reports to be taken from the beneficiaries which substantiate the outcome of the scheme.
- (g) FGDs to be conducted with the stake holders at the taluk levels and their views compiled and reported.

9. Qualification of Consultant

Consultants should have and provide details of evaluation team members having technical Qualifications/capability as below-

- i. Social Scientist,
- ii. Retired Banker,
- iii. Statistician, and
- iv. Person competent to evaluate small scale industry business.

And in such numbers that the evaluation is completed within the scheduled time prescribed by the ToR.

Consultants not having these number and kind of personnel will not be considered as competent for evaluation.

10. Deliverables time Schedule

The Managing Director, D.Devaraj Urs Backward Classes Development Corporation Ltd will provide year wise district/taluk/Gram Panchayat wise list of beneficiaries, activity and loan amount sanctioned etc. The Managing Director, D. Devaraj Urs Backward Classes Development Corporation Ltd will issue necessary instructions to the District Managers of Backward Classes Development Corporation Ltd to co-operate and facilitate for collection of the necessary data during the course of study. It is expected to complete the study in 6 months time excluding the time taken for approval. The evaluating agency is expected to adhere to the following timelines and deliverables.

1. Work plan submission : One month after signing the agreement.
2. Field Data Collection : Three months from date of work plan approval.
3. Draft report Submission : One month after field data collection.
4. Final Report Submission : One month from draft report submission.
5. Total duration : 6 months.

11. Qualities Expected from the Evaluation Report

The following are the points, only inclusive and not exhaustive, which need to be mandatorily followed in the preparation of evaluation report:-

1. By the very look of the evaluation report it should be evident that the study is that of - D.Devaraj Urs Backward Classes Development Corporation Ltd of the Government of Karnataka, and Karnataka Evaluation Authority (KEA) which has been done by the Consultant. It should not intend to convey that the study was the initiative and work of the Consultant, merely financed by the D.Devaraj Urs Backward Classes Development Corporation Ltd of the Government of Karnataka.
2. The Terms of Reference (ToR) of the study should from the first Appendix or Addenda of the report.
3. The results should first correspond to the ToR. In the results chapter, each question of the ToR should be answered, and if possible, put up in a match the pair's kind of table, or equivalent. It is only after all questions framed in the ToR that is answered, that results over and above these be detailed.
4. In the matter of recommendations, the number of recommendations is no measure of the quality of evaluation. Evaluation has to be done with a purpose to be practicable to implement the recommendations. The practicable recommendations should not be

lost in the population maze of general recommendations. It is desirable to make recommendations in the report as follows:-

(A) Short Term practicable recommendations

These may not be more than five in number. These should be such that it can be acted upon without major policy changes.

(B) Recommendations requiring change in/of policy

These are those which will need lot of time, resources and procedure to implement or those which intend to drastically modify the scheme.

12. Cost and Schedule of Budget release

Output based budget release will be as follows-

- a. The **first instalment** of Consultation fee amounting to 30% of the total fee shall be payable **as advance** to the Consultant after the approval of the inception report, but only on execution of a bank guarantee of a scheduled nationalized bank valid for a period of at least 12 months from the date of issuance of advance.
- b. The **second instalment** of Consultation fee amounting to 50% of the total fee shall be payable to the Consultant after the approval of the Draft report.
- c. The **third and final instalment** of Consultation fee amounting to 20% of the total fee shall be payable to the Consultant after the receipt of the hard and soft copies of the final report in such format and number as prescribed in the agreement, along with all original documents containing primary and secondary data, processed data outputs, study report and soft copies of all literature used to the final report.

Taxes will be deducted from each payment as per rates in force. In addition, the evaluator is expected to pay services tax at their end.

13. Contact persons to get further details about the study

Dr. U.P.Chandrashekar, MD, D.Devaraj Urs Backward Classes Development Corporation Ltd and Sri.Kotappa, GM (Dev), D.Devaraj Urs Backward Classes Development Corporation Ltd, Ph. No. 080-22374832/834, Email ID-md@dbcddc.in.

The entire process of evaluation shall be subject to and conform to the letter and spirit of the contents of the government of Karnataka order no. PD/8/EVN(2)/2011 dated 11th July 2011 and orders made there under.

This ToR is sanctioned in the 13th meeting of the Technical Committee held on 30th August 2014.

Chief Evaluation Officer
Karnataka Evaluation Authority