

# 1 Executive Summary

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The Karnataka Evaluation Authority has assigned the task of “Evaluation of Micro credit scheme for Sthree Shakthi Self Help Groups implemented in the period 2011-12 to 2014-15 by Karnataka State Women’s Development Corporation” to the Energy and Resources Institute (TERI), Bangalore.

The study aimed to evaluate the extent of Sthree Shakthi self help group (SHG) members who are empowered economically through the micro credit scheme, to understand whether the aims and objectives of the scheme are achieved, identifying constraints in implementation and to suggest measures for improving the scheme.

The methodology used for the study, as proposed in the ToR included focus group discussion with selected SHGs, grading the SHGs, survey of beneficiaries, verification of records, interview with key informants and documenting few success stories. The sample was selected using the systematic random sampling using an intensity of four districts for every year since 2011-12 to 2014-15. The districts where the scheme did not cover any SHG in a year were excluded. A total of 10% of beneficiary SHGs, i.e. 80 SHGs was selected across 14 districts and 701 individual beneficiaries were interviewed.

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. 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 the beneficiaries expressed that they have access to the micro credit scheme because they are members of Sthree Shakthi SHGs. Some of the groups have also availed bank loans, which has enhanced the financial resource available to the SHGs for productive purposes. Lack of proper records for the micro credit loan added to this issue. The fact that loans sanctioned in 2011-12 and 2012-13 were waived off by the government, limited the data available for understanding the repayment aspects. These factors made it difficult to bring out the benefits from the micro credit 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:

## *Economic empowerment of Sthree-Shakthi self-help groups*

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 micro credit scheme has provided access to financial resources to Sthree Shakthi SHGs, which, has been used to improve the existing income generation activities of beneficiaries, thus improving the profit from the activities, and in some cases beneficiaries have purchased productive assets.

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*Encourage self-employment*

The availability of micro credit has encouraged women to continue the existing income generating activities (51%) and in other cases (20%) motivated members to start up small productive activities by investing supplementary capital along with the micro credit. This percentage is based on total respondents interviewed.

*Create opportunities for involving in entrepreneurial activities, establish production centers and develop themselves*

As mentioned above, the micro credit scheme has provided a fillip to ongoing income generating activities, thus encouraging the SHG members to continue self – employment.

*Attain financial self-sufficiency and economic empowerment of self-help groups*

This is a long term objective, which may be achieved through inputs from various external quarters and is strongly influenced by a clearly defined vision and attitude of the SHG members and their persistent efforts towards realizing the same. Micro credit is one of the external supporting factors that provides access to a pool of financial resources, which, if utilized optimally for productive purposes, promotes self-employment leading to economic empowerment.

A detailed analysis of the evaluation questions brought out interesting findings. The District Inspectors are not involved in the selection of beneficiaries, while the onus of repayment lies with them. The loan amount has been distributed equally among all members in 75% of the groups sampled. The scheme does not provide for skill development training, while some members have participated in trainings conducted by DWCD or other departments. Utilization of the loan amount brought out the following pattern: 70% respondents are engaged in local business, 2% carry out business in other places, 23% have not utilized loan amount for IGA, and 5% have not taken the loan from their SHG. Among those who utilized the loan for IGAs, nearly 72% have improved/ expanded existing businesses, while 28% claimed to have started new IGAs. There is no action taken for mis-utilization of loan for other purposes. None of the members were aware of the guidelines to put up a plaque stating that the IGA was supported by KSWDC. About 38% of the Sthree Shakthi SHGs have availed bank loans during the reference period of this study. Most of the SHGs (88%) make repayments through cash, while 4% SHGs have not repaid any amount till date.

Since the loans given in 2011-12 and 2012-13 are waived off, the repayment of loans given in 2013-14 was considered and it was found that most SHGs supported in 2013-14 have not repaid completely or have delayed. This may be attributed to the fact that people tended to refer to the precedence set in the earlier year and were hopeful of loan waiver. The repayments of SHGs

supported in 2014-15 is better, in the sense that repayments are being made, albeit gradually. None of the SHGs have maintained a separate record for the micro credit loan received and utilised. The average time taken for loan disbursement from the date of receipt of application is about 60-120 days.

The output or impact of this scheme is closely intertwined with the benefits of being members of Sthree Shakthi SHGs over reasonably long period of time. The micro credit scheme has provided a pool of financial resources to the Sthree Shakthi SHGs and has been useful to the extent that its members have improved existing IGAs, while some others were motivated to start new IGAs. This has been particularly useful for groups that have not received any other loan or financial benefits for productive purposes. While it is difficult to gather the impact accrued solely from the micro credit scheme, coupled with the lack of baseline data of economic and social status of beneficiaries and SHGs, the positive growth of members due to the fairly long term membership in Sthree Shakthi SHGs cannot be discounted.

The SHG members stated that the Sthree Shakthi SHG has helped resolve economic and social problems and helped improve self-confidence, mobility, recognition in society and interaction with outsiders. The Sthree Shakthi platform had helped improve access to credit, improved habit of savings and provided access to loans at lower interest rates. The heterogeneity in response was found to be statistically significant indicating that some indicators of social and economic empowerment were affected more positively than the others. The extent of impact must be understood in the light of the fact that it is the perception of the beneficiaries.

The answers to evaluation questions are as follows:

SN	Questions	Finding
1.	Whether district managers are making proper selection of SHGs? In how many cases (percentage wise) the selection was found to be faulty? And how?	<p>District Managers are not involved in selection of SHGs. Anganwadi workers and supervisors are grading the SHGs and selecting them.</p> <p>As per guidelines preference must be given to A and B grade groups. However as per grading done by evaluation team, 49% groups are 'C' grade, 41% are 'B' grade and 10% are 'A' grade.</p> <p>Selection of beneficiaries from disadvantaged sections- it was found that 80% (229 members) are illiterate, 18% (51 members) are widows and 2% (7 members) are physically challenged</p>

SN	Questions	Finding
2.	Whether the loan amount is distributed among all SHGs members and equally? If not, how it is distributed? And why?	The micro credit loan has been distributed equally among all SHG members in 75% (60 groups) and in 25% SHGs (20 groups) it has not been distributed equally among all members. Among the 20 groups where it has not been distributed equally, in 17 groups, the amount has been given to few members based on priority/ need, and in other cases it has been used for group IGA
3.	Whether Sthree shakthi groups platforms have helped solve the economic and social problems of its members. If yes, to what extent? Interesting cases may please be documented as case studies?	92% of the respondents stated that Sthree Shakthi groups have helped solve economic problems (54% considerable extent, 46% some extent, 1% less extent).  91% respondents stated that Sthree Shakthi groups have helped solve social problems (42% considerable extent, 55% some extent, 3% less extent).
4.	What are the skill development training been imparted to members of Sthree shakthi groups? Whether this training has been helpful? If yes, how and to what extent?	There is no component of providing skill training under the micro credit scheme per se.  However, 63% of the respondents stated that they have not undergone any skill training programme, while 37% have participated in skill training programme conducted by other agencies. 92% of them stated that it was useful
5.	Whether SHGs have given the correct and full amount of the loan sanctioned to their members timely? If not, what are the deviations and why?	The micro credit loan amount has been given in full to SHG members
6.	Whether the SHG members have undertaken small business after availing the benefits? If so, have they continued with the activity? If not, reasons to be furnished?	72% respondents have undertaken small business after availing the benefits, 23% members have not undertaken small business after availing the benefits, while 5% of the respondents had not availed the loan
7.	In how many units established by SHGs plaques Viz namely 'Unit financed by Karnataka State women Development corporation' was not displayed and why?	None of the members engaged in IGA had displayed a plaque stating that the unit was financed by KSWDC due to lack of awareness
8.	Whether the beneficiaries are utilizing the loan for the purpose for which it was sanctioned? If not what action is taken in case of utilization?	23% (161 members) had not utilized the micro credit loan for IGA. The SHGs had not taken any action for the same, neither had the KSWDC or DWCD

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9.	<p>What is the amount of loan (year wise) taken from banks by the SHG selected for evaluation? Whether the loan has been repaid timely and completely? if not, what is the payment percentage and what are reasons for cases of non-payment</p>	<p>Among the 80 SHGs covered under the study, 38% (30 SHGs) have availed bank linkage during the study reference years</p> <table border="1" data-bbox="759 434 1307 712"> <thead> <tr> <th>Year</th> <th>Loan Amount</th> <th>Repayment</th> <th>Repayment Balance</th> </tr> </thead> <tbody> <tr> <td>2011-12</td> <td>7.30</td> <td>7.30</td> <td>0</td> </tr> <tr> <td>2012-13</td> <td>9.85</td> <td>7.59</td> <td>2.25</td> </tr> <tr> <td>2013-14</td> <td>10.89</td> <td>9.54</td> <td>1.34</td> </tr> <tr> <td>2014-15</td> <td>22.50</td> <td>16.50</td> <td>6.00</td> </tr> <tr> <td><b>Total</b></td> <td><b>50.54</b></td> <td><b>40.94</b></td> <td><b>9.59</b></td> </tr> </tbody> </table> <p>The repayment percentage could not be calculated since the demand figures were not available. There were no cases of defaulting and overdue loans in the case of bank loans.</p>	Year	Loan Amount	Repayment	Repayment Balance	2011-12	7.30	7.30	0	2012-13	9.85	7.59	2.25	2013-14	10.89	9.54	1.34	2014-15	22.50	16.50	6.00	<b>Total</b>	<b>50.54</b>	<b>40.94</b>	<b>9.59</b>
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10.	<p>Has the economic condition of the beneficiary families improved? If not, give details</p>	<p>92% respondents expressed that it had improved after joining the Sthree Shakthi SHG (43% considerable extent, 56% some extent, 1% less extent).</p>																								
11.	<p>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?</p>	<p>Case studies have been documented. There were no specific cases of failure among the samples studied</p>																								
12.	<p>Are the repayment cheques sent by the groups sent to the corporation every month? If not, what is the duration of delay and why?</p>	<p>71 (89%) out of 80 SHGs made payment through cash, while 6 (7%) SHGs made payment through account payee cheque/ demand draft, 3 (4%) SHGs have not made any repayment till date.</p> <p>District Inspectors credit the cash into the account of the KSWDC every month, while in some cases, they credited it after a large sum was collected. The frequency of crediting into the account varied widely.</p>																								

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13.	What are the constraints of financial flow from government to groups and within the groups? How to further streamline the process?	<p>39% of the groups received the amount within 60-120 days, 24% groups received it within 30-60 days, while 19% groups received it within 180 – 240 days.</p> <p>Time delay, lack of guidance to prepare the application &amp; delay in receiving cheques from district office are some of the constraints they are facing. Better guidance, simplifying loan documents and online transfer of amount will help in easing these issues.</p>
14.	Which IGA is most prominent in the taluk and most profitable in the taluk? Is the most prominent IGA the most profitable one too?	<p>Only 1-2 taluks were selected in some districts, hence talukwise details seemed redundant. Overall, most prominent or popular IGA is tailoring and related activities such as garment, bag stitching, knitting and embroidery, followed by cow rearing.</p> <p>Hotel/ tea shop has the most profitable with an average annual income of Rs. 84,000/-, followed by grocery shop and related activities at Rs. 57, 923/-</p>
15.	Areas of capacity building requirement of the stthree shakthi groups	50% of respondents stated that they require training in topics such as tailoring/ fashion designing/ embroidery and animal husbandry, followed by business development and management/ new IGAs
16.	To grade the SHGs and various factors of the scheme like group size, savings, recoveries, meetings, maintenance of books etc., IGA wise. What is the correlation between the groups graded and income generating activities? If so, what is the pattern emerging out of this? Please elaborate.	<p>Results of grading are 'A' grade 10%, 'B' grade 41% and 'C' grade 49%. Correlation shows that higher the group grade, higher will be the number of members engaged in different types of IGA. Likewise, higher the grade, higher will be the income from different activities.</p> <p>Pattern of IGAs based on group grade is:</p> <ul style="list-style-type: none"> <li>• 50% of the members in 'A' grade groups are engaged in Business/ Marketing sector related IGAs such as petty shop/ hotel/ tea shop.</li> <li>• 39% members in 'B' grade groups are engaged in animal husbandry related activities such as buffalo rearing, cow rearing, goat rearing etc</li> <li>• In 'C' grade SHGs pattern is somewhat mixed, 35% are engaged in business/ marketing related activities, 25% are engaged in animal husbandry sector, 21% are engaged in service sector IGA such as tailoring</li> </ul>
17.	Should the scheme be continued? If no, why so? If yes, with what modifications/recommendation	97% expressed the need for continuation of the micro credit scheme, while 3% expressed that it is not required

The study indicates the scope to simplify loan documents, streamline repayments and establish appropriate systems for monitoring and documentation. The grading format needs to be revised and made realistic considering the current socio-economic scenario, thus fine-tuning the selection of Sthree Shakthi beneficiary groups. The study clearly brought out the need for strengthening the SHGs, providing inputs for sustainable functioning, skill training, value added services along with hand-holding support until they achieve financial sustainability. Linkages with markets and basic entrepreneurship training will give the women much needed management skills. Support to establish bank linkages, awareness on government schemes will facilitate economic and social empowerment.

The KSWDC is delivering the micro credit scheme as a supportive measure for economic improvement of economically disadvantaged women and not solely on the lines of a micro finance institution. However, if the scheme needs to be continued in an effective manner, adequate human resource and supportive infrastructure at the district and state level, sizeable loan amount, and clarity in roles and responsibilities between the KSWDC and DWCD needs to be addressed on a priority basis.