

1. Executive Summary

M/s D. Devaraj Urs Backward Classes Development Corporation Ltd Bangalore proposed and had requested Karnataka Evaluation Authority to undertake an evaluation of micro-credit loan scheme implemented during the years of 2008-09 to 2013-14, to assess reliability in delivery of desired services for comprehensive understanding of potentiality in continuation of scheme and its sustainability framework to address the needs and take corrective action in implementation of scheme. Karnataka Evaluation Authority has engaged M/s Ecory's India for carrying out the evaluation of micro-credit scheme implemented by the Corporation through the self help groups in the state and the agency has taken up this study on entrustment.

Micro-credit loan scheme, by M/s D. Deveraj Urs Backward Classes Development Corporation Ltd, Bangalore is implemented by extending small financial assistance to skilled and unskilled persons belonging to backward classes, living at below the poverty line for the purposes of taking up small business/vending activities (which does not require trained skills) like fruit, vegetable and flower vending, Tea stall etc. The scheme was initiated in the year 2007-08 with assistance of Rs 5000 which subsequently increased to Rs 10000 and Rs 15000 during the year 2010-11. Now the schemes provides financial assistance of Rs.15,000/- per beneficiary including Rs.5,000/- subsidy and Rs.10,000/-as loan at 4% interest per annum. During 2013-14, the scheme assisted to 4637 backward classes' beneficiaries with an amount Rs.653.95lakh.. Government of Karnataka had waived the entire outstanding loan component during the year 2013-14 and hence the corporation does not have long standing defaulted beneficiaries. This scheme is implemented through SHGs which are matured (as per the norms fixed the SHGs) and completed a minimum of 12 months of formation, members meet weekly/monthly and been mobilizing the savings. The corporation under the scheme had assisted 52314 beneficiaries with Rs 33.12 crores during last 7years. The Government had constituted Beneficiary Selection Committee under the chairmanship of Member of the Legislative Assembly of the constituency to involve the participation of local leaders in implementations with District Manager of the Corporation is the Member Secretary of the Committee.

This evaluation study is carried out in all the districts with survey of 60 scheme beneficiaries' from each district. The study focused on members of matured 5 SHGs (one corresponding to each financial year from 2008-09 to 2013-14) in each constituency and care is taken to ensure that one each SHGs are selected from urban area, semi urban area and rural area totally with 60 beneficiaries for evaluation.

M/s D. Devraj Urs Backward Classes Development Corporation Ltd Bangalore has decentralized administrative system with district office having District Manager, Development Officer, Assistant Development Officer and 6 staff members. The participation of elected members in implementation of scheme is through selection committee which is headed by the Honourable Member of Legislative Assembly with Lead district manager and officers of other department as members. The district office is found acute shortage of staff, which is affecting extension activities of scheme, organizing of pre-sanction IEC and post sanction follow up for better monitoring the implementations and serving the community on their needs and doubts.

The micro-credit loan scheme had started during the year 2007-08 and being continued. The extent of assistance to each beneficiary during first year was Rs 5000 with 50% as credit component and balance 50% as subsidy. Subsequent years the extent of assistance per beneficiary had increased to Rs 10000 and to Rs 15000 from the year 2012-13 onwards. The secondary information reveals average number of days for collection of application from the eligible SHGs is 48 days (varying from 40 to 60 days in different districts), pre-sanction scrutiny of application at district offices took 113 days and time for release of loans is 60 days. The rejection of applications at the district office is at around 10%, mainly for non compliance of required information by applicants.

Amongst the surveyed beneficiaries, 70 % hail from rural areas, 25 % belong to semi urban areas or hobblis and 5 % are from the urban areas. The family size of sample beneficiaries shows 0.84 % has single member family, 3.11 % have 2 member families and 14.21 % have 3 member families. The families with 4 and more than 4 members are 66.25 % of the respondents. Amongst beneficiaries 99 % own housing with 9.35% owning casteed houses and 89.21 % live in tile roof houses. The families living under thatched house are only 0.43 %. Those under rented house are 0.85 %, who are migrant families. 32 % of respondent beneficiaries own two wheelers and 0.41 % own three wheeler mainly rickshaws used for their trade and 2.47 % own 4 wheelers like

tempo and cars. It is interesting to know that 36.94 or 37% of respondents own the dairy animals such as cow and buffalo and around 5% own the small ruminants such as goat and even pigs. Social status of sample beneficiaries shows 56.3% belong to category 2A followed by 3A and 3B each at 13.4% and 13.3% respectively. Group 1 and 1A make 10.2% and 7.41%. This variation is attributed to the distribution of population belonging to particular category in the respective districts. This clearly shows that the micro families with single child are much lesser amongst the beneficiaries.

Summary finding against each evaluation question of TOR follows ;

Sl no	Evaluations Questions in TOR	Summary Finding in the study.
1	Whether Selection Committees meant for selection of beneficiaries are making proper selection? In how many cases (% wise) the selection was found to be faulty?	Selection committees have been formed in all districts and committees are involved in selection of beneficiaries and selected beneficiaries. The committee sends the beneficiary names with recommendation to the H.O of Corporation. No deviation in selection has been reported.
2	Are the beneficiaries from BPL groups of families or is there been any violations to it?	All selected beneficiaries are belonging to Backward classes and live in BPL. It is found that about 0.81% of the beneficiaries who were under BPL at the time of sanction of assistance are grouped under APL category in the revised issuance of cards.
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?	All surveyed beneficiaries belong to Backward class and none belong to other categories. The scheme assistance was made to unskilled persons and a few partially skilled like Tailors, and unskilled persons.
4	What is rate of rejection at different	The survey shows 9.2% of applications were

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	stages after being selected and reasons for that?	rejected at the stage of scrutiny of application on technical grounds and 8.3 % of applications were rejected during pre-sanction scrutiny. Pending applications of the previous year at district and HO level are included during the years sanction.
5	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?	Time taken from application to release of assistances varied from 226 days to 300 days. The average time taken at district level for collection of application is 48 days, and for processing the application at the district office is 113 days and beyond 60 days for communications of sanction from HA to district office. The sanction from district office varied from 30 to 60 days. Length of this period can be reduced by re-approaching for selection through Grama Sabha where selection committee can approve on spot, coordinate with department for issue of records and the SHG be told of scheme in details and through early according the sanction from HO.
6	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	The PDC at present is not active in building the capacity of borrowers and their role is found only while release of assistances. The PDCs do not extend IEC or training to beneficiaries though they are supposed to build awareness amongst the beneficiaries about the scheme and the conditions. At present the role and

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	about what he/she is expected to do with the financial assistance?	functioning of PDC is not known to many beneficiaries.
7	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?	The SHGs are told about the scheme while issue of cheques but the beneficiaries had shown confusion on the part credit component and its repayment. The beneficiaries in Gadag, Gulberga, Koppal and Raichur have expressed that the entire amount was subsidy component. There is need for IEC on the credit, repayment and schedule of repayment explicitly to all SHGs. It is better to supply a play card showing the scheme condition, repayment schedule and suggest the SHGs to hang the same in their meeting place to reminded them on scheme features and its condition. The SHGs should be made compulsory to discuss about it every meeting after the assistances.
8	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?	The SHGs were given the correct and assistances in full, paid through cheques. No deviation has been reported. Amongst the surveyed SHGs 86 % are women centred SHGs and 14 % is male based SHGs. Such difference are due to coverage of women based SHGs for assistances.
9	Is SHGs members have undertaken small business after availing the benefit? If so, have they continued the activity?	About 64% of beneficiaries are continuing their existing trade and of the remaining 28.6 %of beneficiaries have opted to start new

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	<p>If not, reasons to be furnished.</p> <p>Whether the beneficiaries of scheme have continued business activities (as on the date of evaluation) after availing the benefit? If not, give reasons.</p>	<p>vocation. About 5.41% of beneficiaries have not started the vocations. About 73% of those started are continuing the vocation and remaining are closed their vocation and not started.</p>
10	<p>Whether the beneficiaries are utilizing the loan for the purpose for which it was sanctioned? If not, what action is taken in case of mis-utilization?</p>	<p>94.59% of the beneficiaries are reported utilized the assistance and started the vocation. 5.41% had not started their trade. No action has been initiated either by District office of corporation or by SHGs against those mis-utilized the assistances.</p>
11	<p>Has the scheme encouraged the beneficiaries for self development? If yes, to what extent?</p>	<p>The scheme is found encouraging those who had business activity to improve the scale of their activity. It encourage beneficiaries to take up activities of back wad integration to improve their trade The micro credit assistances had boosted their working capital and given moral boost for improving the scale of business. The scheme had encourage about 64% beneficiaries to improve their business and their risk taking ability.</p>
12	<p>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?</p>	<p>The SHGs are issued the pass book indicating the sanction, release and repayment schedule. Many SHG did not maintain them. The detail of recoveries from members are also not maintained in many SHGs.</p>

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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?	<p>2008-09- Rs 14.70 lakhs 2009-10- Rs 16.00 lakhs 2010-11- Rs 37.10 lakhs 2011-12— Rs 34.20 lakhs 2012-13— Rs 118.2 lakhs 2013-14— Rs 147.03 lakhs</p> <p>Better repayment status has been reported in districts of Chamarajnager, Bangalore and no repayments in the district like Gulberga, Raichur, Koppal etc. Partial repayment are found in Mandya etc.</p>
14	Is the repayment done by the beneficiaries are 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?	<p>The repayment of loan as prescribed is made by less than 30% of beneficiaries. About 18% of beneficiaries had repaid partially and 52 % of beneficiaries could not repay the credit part of scheme . Little efforts has been noticed by District offices to recover the loan components. The SHG in few districts like Chamrajnager, Bangalore rural Udupi, UK the SHGs made efforts for recovery of the dues.</p>
15	Government has announced loan waiver scheme recently. Whether the beneficiaries who have availed the loan before 13.05.2013 are aware this?	<p>Almost every beneficiary is aware of the loan waiver announced by GO K.</p>
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	<p>The exact amount of written off is not available with the individual beneficiaries. The impact loan waiver is reflected in reduction of defaulter position but not much on the business</p>

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	waiver for beneficiaries and the repayment schedule compliance? Is there reliable indication to suggest that this may result in unwarranted or unintended consequences like wilful default	status of beneficiaries. It neither had any motivational impact on beneficiary community. This also given feeling that the subsequent assistance will also be written off.
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?	62% beneficiaries have expressed improvement in business activity and increased income generation and profit. Only 35% of beneficiaries who had started the trade without prior experience could realize profit and income out of business and remaining of them have closed the business activity.
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.	The annual income of 64% of beneficiaries had increased. Amongst them 23% shown increase over 100 % and 36 % had increase from 50 to 100%.Remaining 8% had expressed less than 50%. The increase was larger with beneficiaries who had gone for trade like dress designing, petty shops, flower vending and those taken up backward integration for activities like animal husbandry, jasmine cultivation. Those had, fish trading, papad making etc had marginal increase in income. The increase in absolute figures and not indexed.

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19	Has the economic condition of the beneficiary families improved? (Evaluator to create indicators for ensuring this and then report on its basis). If not, give details.	The economic condition of beneficiaries have been evaluated through improvement in the living such as improved housing, improved investment on household goods, repair of houses, celebrating social function reduction private debt of beneficiaries. The survey showed improved living in 70.23 % beneficiaries after the business. About 8.41 % of the beneficiaries expressed the sending of children to schools and 3.19% had marriage function after the extension of assistances. The beneficiaries who invested in housing related activities are 14.85 % and 25 % had gone for the purchase of household goods.
20	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 has been documented and presented in annexure .The case studies includes those having improvement in the financial and economic condition and one case study who could not take off in the business.

Vegetable, fruit and flower vending is taken up by 28.84 % of sample beneficiaries followed by trading in Kambals (woolen weaved bed sheets), milk business, papad making, bangle trading etc. taken up by 18.82 % of beneficiaries. The skill oriented activities like tailoring, agarbathi making, is taken up by 10 % of the beneficiaries. A few beneficiaries of Bagalkot, and Udupi districts who are in the milk vending activity have gone as backward integration such as, dairy farming by milk vendors. The survey shows 57.55 % of sample beneficiaries are engaged their business activity at their villages and 26.63 % at the sub urban or hobli level where they are living. None

of the beneficiaries had moved out of their place of living for taking up or expansion of business after taking the micro credit loan.

Few beneficiaries have expressed in FGD that they got the scheme sanctioned through the leader of SHG. It is told by those in Kodagu , Tumkur that they had incur an expenditure varying from Rs 500 to Rs 1000 to pay the leader for collection of records and running for getting the approval from the MLA. Amongst respondents 25.63 %had expressed the sufficiency of scheme assistance to meet their requirement while 50.90 %of beneficiaries had borrowed additionally either from friends or from SHGs to meet their demand and 18% invested the required additional fund from own savings. The interest paid by 20.85 % of beneficiaries for additional borrowing was 2% per month or 24 %per annum. Around 13.98 % had paid 3 to 4 % of interest per month on their borrowings. It shows that around 34% of beneficiaries still depend on outside borrowings to continue their trade. Further, 84% of respondents expressed the need of increased funding and 61% expressed the need of refinancing once the earlier assistance was returned. 15.83 % of beneficiaries suggested to include the training component before extension of assistances and 6.43 % suggested to support them market place to set up their vending units. Amongst beneficiaries 67 % expressed their satisfaction on the scheme and 14.89 % had expressed partial satisfaction while 19.65 % are dissatisfied.

All the assisted SHGs are matured and been transacting regularly before section for assistances. At post assistance period,18.73 % of SHGs are holding weekly meeting, 46.69 % hold meetings monthly and 25.71 % hold meeting whenever necessary. Around 8.87 % of SHGs are either closed or did not held meeting after the assistances. Full participation of members is found in 43.47 % of the SHGs and partial participation is found 48.83 % of SHGs. Recording of the minutes of meeting are reported in 43.13 % of the SHGs. The demand of members is recorded in 9.73 % of the SHGs. It is informed by the SHGs that no official or NGO representative had visited the SHG meeting either to guide them or inform on various norms of SHG or the facilities available for their welfare. The feedback indicates the saving pattern in SHGs ranges from Rs 50 to Rs 100 per month in 78% of SHGs.

Recommendation. The study makes two categories of recommendation. First set for immediate implementation by the Corporation and the other set needs the attention of State for implementation through policy direction.

Recommendation for immediate implementation by corporations.

1. It has been revealed by survey that beneficiaries had incurred initial expenditure of ranging from Rs 500 to Rs 1000 for getting the papers and to meet other expenditure for getting the assistance. To facilitate the beneficiaries the Corporation may suggest the PDC to organize the meeting of concerned departments and arrange to issue the records to the selected SHG members at the meeting venue itself to SHGs. This would reduce the cost of getting the assistance to beneficiaries and also speed up the implementation.
2. The beneficiaries who proposed activity which links backward to their/ his/her existing tiny activity and/that for expansion of existing trade be given priority in extending the assistance as it helps to utilization of assistance, sustainability of trade impact and faster upcoming eligible persons rather by the person without expertise where the rate of failure if found higher.
3. While extending the assistance all members of SHG should be considered equally for assistances. Assisting part of SHG members forces them to share the assistances with others thereby leading to part financing and creation of difference of opinion amongst the members leading to non functioning of the SHG.
4. The Corporation should adopt the procedure of post sanction follow up through more vigorously through dedicated staff. The defaulter should be handled firmly to improve the scheme performance and show the credibility of scheme.
5. The corporation must provide the PLAY CARD depicting the silent features of scheme, loan component and repayment issues for hanging at the office of SHG/ meeting hall to remind the members to make repayment and utilization of loan. The copies of play card be given to each member to exhibit this in their houses to remind them about the scheme. This should high light that the scheme is not entirely subsidy but given to improve their trade and business.

Recommendation for adopting to get implemented by GOK

6. The district office of corporation be positioned with sanctioned /required staff for ensuring proper IEC, processing of assistance and extending post release follow up or monitoring of scheme.
7. The assistances provided under the scheme is said to be insufficient for many vocations / activities and hence assistance could be increased and made activity specific.
8. Pre-assistance Training on entrepreneurship, skill development, business organization etc be made one of the necessary condition. The lack of training is one of the factor for failure of enterprise which are skill intensive. Many beneficiaries have expressed that they do not have the required expertise in the activity to which they are assisted.
9. There was also voice that few persons who are members in two SHGs got double assistances. Thus to avoid such duplicities, the selection of beneficiaries be made in Gramasaba by explaining the silent features of scheme and making notifying the name of beneficiaries in the presence of Chairman of selection committee. Hence suitable guidelines are required from Government to the district office of Corporation to select the beneficiaries in by Committees in Gramasabha rather getting through third party. The beneficiaries have expressed that presently with involvement of third person requires them to run around for getting selection process completed

**State of
Karnataka**

