

Report on Participatory Mid-Term Evaluation of CREDIT Project of CARE-Bihar, Ranchi

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Expansion of Abbreviations used

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1. Introduction

1.1. Background of the Assignment

CARE-Bihar is implementing a Micro Finance Project titled CREDIT (Credit Rotation for Empowerment and Development through Institution Building and Training) in partnership with two NGOs – NGO1 and NGO2 in Bihar, in the districts of Ranchi and Lohardaga. This project has received resource support from World Food Programme (WFP), Department of Forests and Environment and Department for International Development (DFID) under their joint financing scheme (UK). The project's objective is that of increasing the tribal women's contribution to household income as well as their participation in financial decisions. The project completed two years and nine months of its operation in December 1999. This study constitutes the mid-term evaluation report for the project.

1.2. Objectives of the MTE

The main objective of the MTE is to ascertain the progress of the project against the goals and indicators defined in the proposal/log frame. This includes the following:

- Quantifying the aspects that are progressing on track
- Comparing the values obtained with the situation prevailing at the beginning of the project
- Providing recommendations to enable a mid-course correction
- Providing quantifiable values, which can be used for basis of comparison at end term evaluation

Apart from the goals and indicators in the log frame, the MTE focussed upon the following aspects:

- Proposal design and the outcomes defined, their appropriateness and relevance to the project environment
- Budgeting and financial projections, their appropriateness and relevance to the project environment
- The quality and management of each of the NGO partnerships assessed from the point of view of processes as well as outcomes

- A study of NGO sustainability as an MFI- its potential in terms of operating environment and internal capacity
- Providing lessons learnt for ongoing and future SEAD projects on basis of the above assessments

The objectives and indicators were refined, based on the discussions at a participatory workshop with all the partners held in Ranchi. The findings are put together in a format compatible with CREDIT's project objectives (given in Appendix A).

2. Methodology

2.1. Strategy Adopted

Sampark adopted a participatory approach that has ensured cross learning for all partners during all the stages of the mid-term evaluation.

The first step was a participatory review involving all partners of the CREDIT project of CARE-Bihar. A preliminary workshop with partners was held to restate, validate or modify the MTE objectives. The aspects for evaluation and the methodologies were also agreed upon at this workshop.

Based on these discussions, a plan for the MTE was made, again with participation of all partners. The Sampark team, along with the active participation of NGO and CARE staff, group members and community, implemented this plan.

A presentation of draft findings was made at a common forum, where the partners provided inputs. Sampark then put together and submitted the draft report to CARE. The final report was submitted based on observations and inputs made by CARE and NGO partners.

2.2. Sample size

Taking into consideration the time frame of the evaluation process, the sample size was restricted to 31 women groups from Ranchi and Lohardaga, the two field implementing areas of NGO1 and NGO2 respectively. The location of Ranchi and Lohardaga districts with the Community Development (C.D.) Blocks covered in the study is shown in the map at Figure 1.

Figure 1: Study Area

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The criteria for selecting sample groups are:

- Age of groups, whereby a selection of one to three-year-old groups is covered. Groups formed after July 99 were not included in the MTE sample.
- Geographical spread: Sample groups were selected from each block covered by the implementing agencies
- Performance: The implementing agencies were requested to suggest some groups which have performed well in terms of both financial and managerial criteria, and some which have not performed so well.
- Meeting schedules: As far as possible, groups were visited on the days and time of their regular meetings.

The number of groups selected, by age and geographical distribution, are given in Figure 2 and the details of the sample groups are given in Appendix B.

Figure 2: Number of Groups Covered under the Study

BLOCK	Number of Groups Age-Wise			
	6-12 Months	1-2 Years	2-3 Years	TOTAL
Ranchi District				
Ormanjhi	1	4	1	6
Kanke	4	5	2	11
Angada	1	2		3
Lohardaga District				
Kisko	2	1		3
Kuru	2	3	2	7
Bhandra			1	1
TOTAL	10	15	6	31

2.3. Phases of the Study

The study was carried out in the following five phases:

- Phase I: Preliminary Workshop for Participatory Programme Design
Phase II: Data collection
Phase III: Data Compilation and data Analysis
Phase IV: Draft report presentation
Phase V: Final report submission

The specific tasks involved in each of the above phases are described below:

Phase I: Preliminary Workshop for Participatory Programme Design:

Senior members of the evaluation team made preliminary visits to CARE-Ranchi, NGO1, Ranchi and NGO2, Lohardaga to understand the CREDIT project. Discussions were held with senior officers of the partner agencies. The research team referred to the important project documents to get a broad overview of the project.

The participatory planning workshop at Ranchi involved senior officers and staff of the respective implementing agencies (NGO1, Ranchi and NGO2, Lohardaga) and staff of CARE-Ranchi. The workshop was used to design the study and its outcome was as given in figure 3.



Designing the MTE study with partners

Figure 3: Outcome of Participatory Planning Workshop

- Agreement and refinement of MTE objectives
- Agreement on indicators which will be used to evaluate performance against each objective. This was done separately for each implementing agency (IA), with inputs and participation of CARE officials.
- The methods for MTE study were discussed and agreed upon
- Decision on the documents and data to be collected from CARE/ IAs, and primary data to be collected
- Agreement on the criteria on which sample selection should be done
- Decision on which sample groups to be taken, decided by the IA (on the basis of criteria already agreed upon, and practical considerations like date of meetings, number of groups to be covered per day, etc.)
- Planning of dates for data collection and discussions with project staff of the implementing agencies

- 5 ● Planning of the overall schedule for MTE with CARE and IAs

Phase II: Data collection:

A team of 4-6 people from Sampark, 5 people from NGO1 and 2 people from CARE carried out the field visits for data collection.

Research Methods: The methods used for collecting the data are given in Figure 4. Specific interview guides were used for the data collection on both qualitative and quantitative aspects.



Data collection on the field

Figure 4: Methods Used

To supplement the data collection directly by the team with the groups, several discussions were held, which were as follows:

- Discussions with staff about project management, training, etc.
- Discussions with senior management of IAs and CARE about partnership processes, and consolidation of lessons of the project
- Discussions with implementing partners and donors of the CREDIT project and support providers like MART professionals.

- **Study of Documents**
- **Individual Interviews**
- **Focus Group Discussions,**
- **Case studies**
- **Participatory exercises:**
 - **Before and After Analysis of women's contribution to household income**
 - **Before and After Household expenditure analysis**
 - **Before and After Analysis of women's involvement in financial decisions**
 - **Ranking exercise on size and profitability of different IGAs**

Phase III: Data Compilation and Data Analysis:

Collected data was entered, compiled and analysed according to the MTE objectives, and a draft report was prepared.

Phase IV: Draft Report Presentation:

The evaluation team presented the draft report to all the partners at a common forum in Ranchi. The draft report was circulated to CARE-Bihar and implementing NGOs, for their inputs.

Phase V: Final Report Submission:

Inputs from the partners were incorporated in the final report and submitted to CARE-Bihar for a final round of comments. This was followed up with the final report submission.

2.4. Limitations of the Study

A major limitation was the lack of time required to go into in-depth discussions about incremental family incomes, which could not be quantified. For the same reason, only five participatory exercises could be conducted for 'Before- After' analysis.

3. Findings

The CREDIT project was started in 1997, with the final goal that by the end of the project, more than 80% of the project's women would have increased their contribution to family income by at least 50% and significantly increased their participation in family financial decisions on a sustainable basis.

By the end of December 1999, the project was well on its way to achieving its final goal. The total number of women reached was nearly 7500 as against a target of 6500. These women had been formed into self help groups, all of whom were engaged in savings and credit activity. All the women covered by the project had access to financial services through groups. Many of these groups also had access to external credit through a loan fund provided by CARE and/ or through linkage with banks.

Most of the funds, i.e., 84%, were utilised for business and agriculture which are household based rather than women owned activities. Participatory exercises done with women indicated that women's contribution to family income has increased during the project period from approximately 34% to 40% (see section 3.6.1).

Women have larger amounts of petty cash in their hands to meet the daily needs of the household. They also enjoy a higher consultative status within the family regarding businesses, loans, guests, festivals and expenses on marriages, and other financial and non financial family decisions.



Money management through CREDIT

The progress made (till December 1999) towards this objective through the implementing agencies as per the intermediary goals and various indicators is detailed in the following sections¹.

3.1. Regular and Efficient access to credit by women's groups through NGO

The project envisaged that a total of 216 groups would be formed by year 4 and would cover 6500 women clients. Within a period of 2 years 9 months, 407 groups had been formed with 7467 members.

CARE India chose a credit methodology involving a Group-Management Revolving Loan Fund (GMRLF), which was founded on the principle of community potential for self-reliance and independence. The strategy was to provide partner NGOs with first-hand experience in financially sustainable credit delivery. The mechanism was to advance loans from CARE to the NGOs for on-lending to women's groups as GMRLFs. The interest rate charged by CARE on the loan was 6% and the NGOs would then on-lend to the GMRLFs at the rate of 12%. The groups would then lend the loans to individual members at 18-24%. The interest spread at NGO level was expected to be utilised to cover its project cost and to capitalise loan funds for new members and larger loans. At the group level, the interest spread was expected to ensure income to cover costs and rapid growth of the loan fund. The ultimate objective of this strategy is to enable the NGO to operate a financially and managerially independent body when CARE India withdraws its service.

3.1.1. Size and number of loans

Both the implementing agencies had adequate access to funds from CARE. CARE advanced a loan of Rs.31,54,750/- to NGO1 which was rotated through the GMRLFs. CARE advanced a loan of Rs.2,77,800/- to NGO2.

Initially NGO2 has a two-pronged approach². This included:

- Linking groups to banks; and
- Providing CARE's GMRLF to groups @ 12% interest, to prepare them to deal with banks.

This strategy was not followed through because of low demand for funds from the groups. Therefore, in December 1998, a decision was taken to review the targets for loan offtake. It is for this reason that the NGO2 CARE's GMRLF utilised by NGO2, up to December 99 was only Rs.2,77,800/-.

¹Detailed project progress by each organisation is given in Appendix D1 & D2.

² Source: NGO2's Detailed Implementation Plan (DIP) dated June 30, 97. Minutes of meeting with NGO2 on December 7, 98 in CARE India office in New Delhi

Thus the total revolving loan amount rotated by both NGOs at group level through the GMRLFs was Rs. 66,74,087/-; Rs.63,96,287/-through the NGO1 groups and Rs.2,77,800/- through the NGO2 groups.

Both implementing agencies also helped people to save their own money and rotate it as credit. Rotation of savings as loan enabled the group to provide small credit to address the emergency needs of the members' households.

Figure 5: Overview of Project Outreach and Credit Access by Groups

Performance Indicators	NGO1	NGO2	Total
Outreach			
No. of groups formed	238	169	407
No. of women reached	4838	2629	7467
Loan details			
RLFs disbursed by CARE to NGO (Rs.)	31,54,750	2,77,800	34,32,550
RLFs disbursed by NGO to groups (Rs.)	63,96,287	2,77,800	66,74,087
No. of groups received RLFs	166	31	197
Per group Av. RLFs received from NGO (Rs.)	38,531	8,961	33,878
Per group Av. No. of RLF received from NGO	1.6	N.A.	

Source: Loan fund utilisation statement submitted to CARE and PIR (Oct-Dec-99) NGO1.

The average revolving loan size per group is Rs.33,878/-: Rs.38,531/- for NGO1 and Rs.8,961/- for NGO2 group. The largest loan amount given by the NGO to a group was Rs.80,000/- and the lowest loan size was Rs. 1,200/-.

Groups were provided with repeat loans after repayment of earlier loans. Some groups had taken loans from the NGO four times. NGO1 provided RLFs to 166 groups, which constitutes 70% of the total number of groups. NGO2 provided loans to 31 groups, which constitutes 18% of the groups formed by them. In the case of NGO2 these loans were in the nature of 'bridge loans' i.e. when the group received a bank loan they were expected to return the bridge loan taken from NGO2.

Cumulative loans to groups through the NGOs amounted to Rs.66.74 lakhs up to December 31, 1999.

3.1.2. Turnaround time between loan application and disbursal by NGO

Turnaround time between loan application and loan disbursement by NGO to groups was 7-15 days. Where the loans were availed from external sources, e.g. a bank, it could take up to one month to two months to process.

3.1.3. Degree of credit rationing

There was not much credit rationing in both the NGOs. Most of the loans requested were approved but not always for the requested amount. Sometimes, lower amounts were sanctioned. However, when a loan demand seemed high in proportion to the need or to savings, the groups usually accepted this and were willing to wait for the next sanction

3.2. Continued access to credit by women through self managed groups

The project envisaged that by year four, 80% of the project women would have continued access to credit through self managed sustainable groups. This has been achieved, as is indicated in the sections below:

Figure 6: Overview of group savings, group fund and access to credit by women

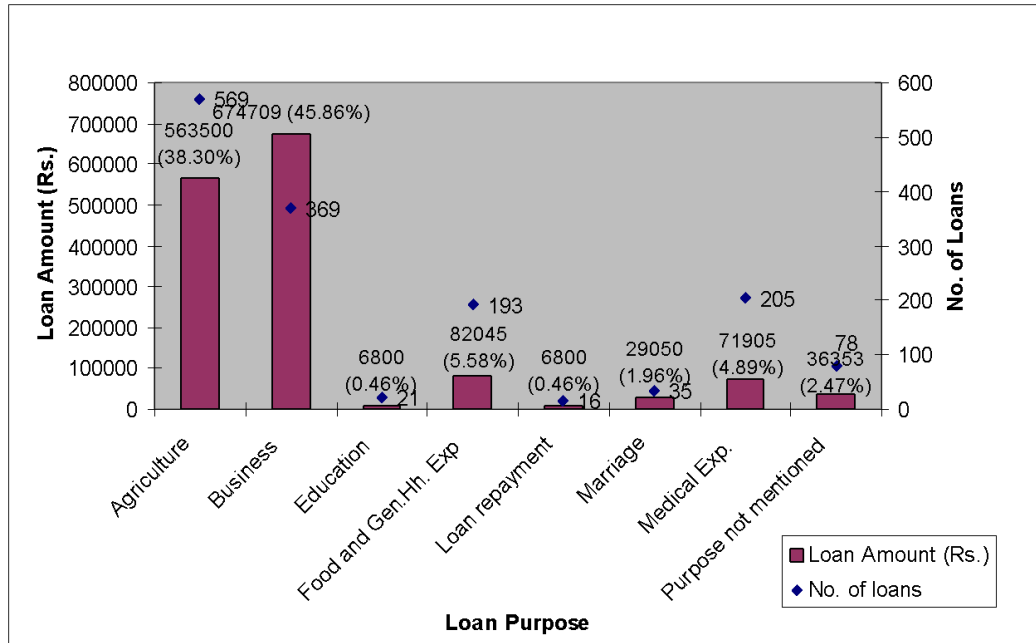
Savings and Group Fund	NGO1 (Rs.)	NGO2(Rs.)	TOTAL (Rs.)
Total group fund	43,33,788	10,07,840	53,41,628
Cumulative group savings	15,40,710	8,24,402	23,65,112
Av. savings per group	6,474	4,878	5,811
Av. savings per woman	318	314	317
Access to Credit			
Total loan generated by group	98,25,564	24,89,236	1,23,14,800
Cumulative* Av. loan size per member	2031	947	1,649

* Cumulative over the project period of 2 years and nine months.

3.2.1. Borrowing Pattern

The borrowing pattern was analysed in terms of the number and size of loans given for different purposes. The study of sample groups shows that 84% of the loans were for agriculture and businesses. The average amount per loan, for petty businesses, was Rs.1,828/-, and for agriculture, Rs.990/-. Other purposes included education, food and general household expenses, medical expenses, and marriage and loan repayments. These ranged between Rs.325/- and Rs.425/-, except for marriage, where the average loan taken was Rs.830/-. Less than 2% of the loans were taken for marriages.

Figure 7: Borrowing Pattern (As on 31.12.1999)



Changes in borrowing patterns over time

Changes in borrowing patterns over time as seen from the analysis of 14 sample groups from NGO1.

Figure 8: Changes in borrowing patterns over time

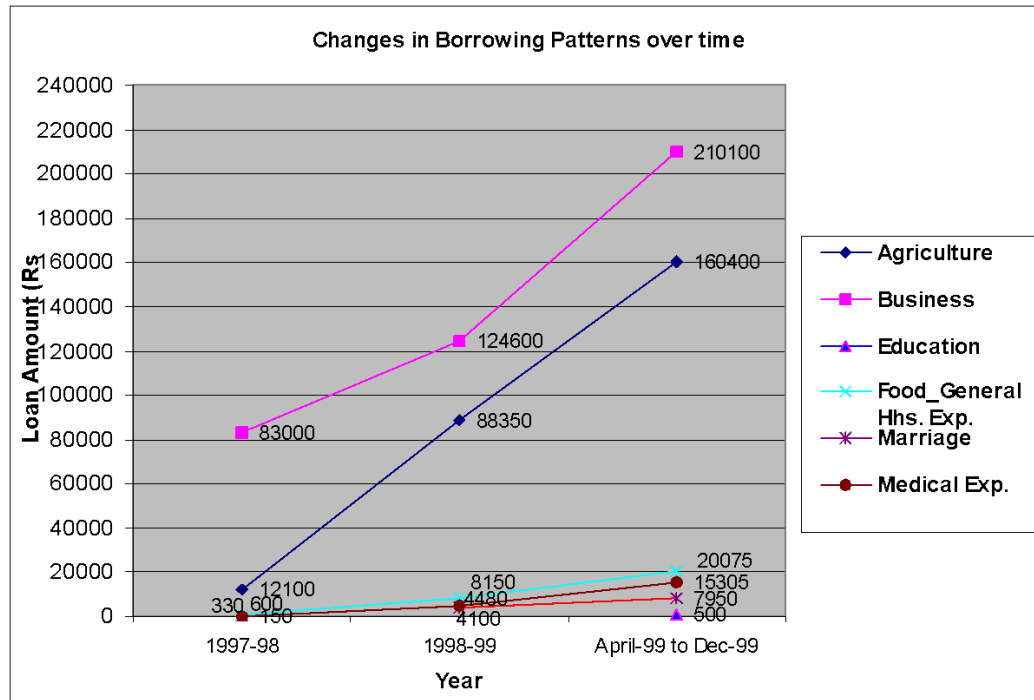


Figure 9: Changes in borrowing patterns over time

Loan Purpose	Data	April 1997-March 98	April 1998-March 99	April-99 to Dec-99	Grand Total
Agriculture	Number of Loans	7 (3.91%)	66 (36.87%)	106 (59.21%)	179
	Loan Amount (Rs.)	12,100 (4.63%)	88,350 (33.87%)	1,60,400 (61.49%)	2,60,850
	Av. Loan Amount (Rs.)	1,729	1,339	1,513	4,580
Business	Number of Loans	27 (14.13%)	60 (31.41%)	104 (54.45%)	191
	Loan Amount (Rs.)	83,000 (19.87%)	1,24,600 (29.83%)	2,10,100 (50.29%)	4,17,700
	Av. Loan Amount (Rs.)	3,074	2,077	2,020	7,171
Education	Number of Loans	1 (33.33%)		2 (66.67%)	3
	Loan Amount (Rs.)	150 (23.08%)		500 (76.92%)	650
	Av. Loan Amount (Rs.)	150		250	400

Food general Hhs. Exp.	Number of Loans	3 (4.28%)	24 (34.28 %)	43 (61.42%)	70
	Loan Amount (Rs.)	600 (2.08%)	8,150 (28.27 %)	20,075 (69.64%)	28,825
	Av. Loan Amount (Rs.)	200	340	467	1,006
Marriage	Number of Loans		4 (40%)	6 (60%)	10
	Loan Amount (Rs.)		4,100 (34.03 %)	7,950 (65.97%)	12,050
	Av. Loan Amount (Rs.)		1,025	1,325	2,350
Medical Exp.	Number of Loans	1 (1.20%)	22 (26.50 %)	60 (72.30%)	83
	Loan Amount (Rs.)	330 (1.64%)	4,480 (22.27 %)	15,305 (76.08%)	20,115
	Av. Loan Amount (Rs.)	330	204	255	789
Total Number of Loans		39 (7.28%)	176 (32.83 %)	321 (59.88%)	536
Total Loan Amount (Rs.)		96,180 (13%)	2,29,68 0 (31%)	4,14,330 (56%)	7,40,190

Source: Data from 14 NGO1 samples groups.

The number of loans and loan amounts borrowed by members increased over the years for all the purposes, especially for business and agriculture. From the first to third year, the loan amount increased for business from Rs. 83,000/- per year to Rs.2,10,100/-. Similarly, agricultural loans increased from Rs. 12,100/- per year in 1997 to Rs. 1,60,400/- in 1999.

This shows that members were gaining confidence, and that their capacity for credit absorption increased over time. There was no definite pattern of transition from loans for one type of activity to another. (Refer Section 3.5.2. change in size of loan over time).

3.2.2. Size and number of loans by individuals

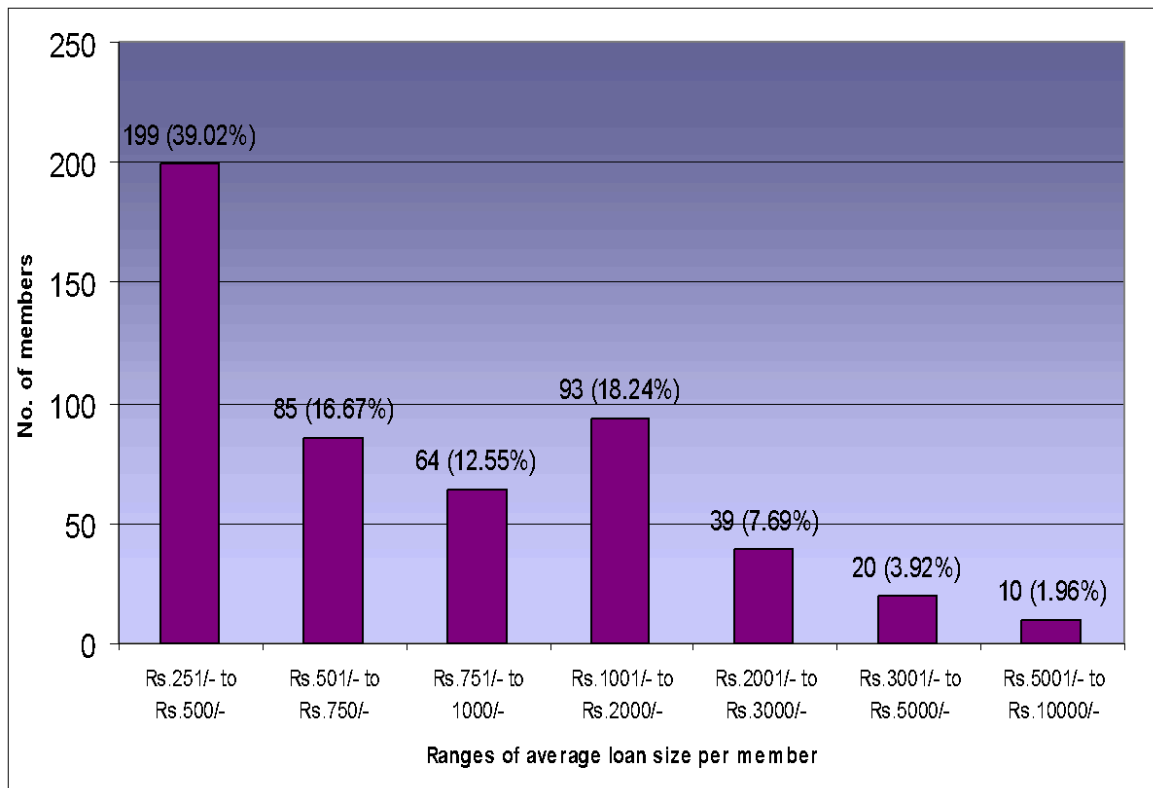
Figure 10: Percentage of members accessed loans

All the women members of the sample groups accessed loans through the groups either from group savings or the NGO revolving fund or from both the sources. In

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the sample groups, only 22% of the women took one loan. 50% of the women took two to three loans, another 20% took 4-5 loans. Also, 8% took more than 6 loans in the entire period of two years and nine months.

Figure 11: Average loan size per member



The above chart shows that 39% of the members have loan sizes from Rs.250/- to Rs.500/-. About 29% of the people have loans in the range of Rs.501/- to Rs.1,000/-. Eighteen percent of the members have loan sizes from Rs.1,001/- to Rs.2,000/-. Only 14% have taken loans ranging from Rs.2,000/- to Rs.10,000/-.

3.2.3. Percentage of fund lent out/idle

The total fund available to groups constituted their savings, CARE's revolving loan fund made available through the implementing partner NGOs, loans mobilised through banks, and the earnings of the groups. Details of total funds available, savings and loans are given in Figure 5. The total group fund was Rs.53,41,628/- for the project, of which women's own savings contributed 44%.

In the case of NGO1, overall data showed that 81% of the total available funds was lent out to their groups; this data was not available in the case of NGO2, and calculation was

based on eleven sample groups. The fund that was lent out (based on this calculation) worked out to 82.5% of the total available funds. The percentage of idle cash kept with groups was 19% for NGO1 and 17.5% for NGO2.

3.2.4. Turnaround time between loan application and disbursal

The turnaround time for loans from groups to individuals was the same as that from NGOs to groups. This is because the groups collect individual loan demands, collate and present them to the NGO or bank, as the case may be. The loans from NGOs to groups take 7-15 days to sanction and groups to individuals take the same time. This is because loans to individuals are disbursed the same day as they are received by the group from the NGO. Bank loans take one to two months.

3.2.5. Reasons for Loan Rejection

In most of the groups there was no rejection of loans. Whoever requested for a loan usually got it after purpose and repayment capacity was assessed. In some groups a few loans were rejected. The data from the sample groups of NGO1 shows about 2% of loan rejection. The reasons were non-availability of funds in the group or non-payment of some earlier loan.

3.3. *Self- management by groups*

Out of the 32 sample groups studied, there were 22 groups that were older than 12 months. More than 75% of these groups were self-managed. As the project envisages 90% of the groups will be self-managed within 18 months of group formation, the indications are that this goal will be achieved.

The following paragraphs explain the aspects on which performance is good and where further support and training will be necessary.

3.3.1. Record Keeping

Seventy one percent of NGO1's groups could keep records independently (166 out of 238 groups) and 83% (140 out of 169 groups³) could do the same for NGO2.

In NGO1, out of the 20 sample groups studied, 7 were above 18-month-old groups. Eighty six percent (6 out of 7 groups) of the 18 months old groups maintained their records without external support. They conducted meetings and wrote their basic records well. They got

³ Source: PIR Dece.1999 by NGO2
15



some support from the NGO staff for writing complicated records. In many groups, a group member or a local resource person from the village had been assigned the task of writing the accounts. In NGO1, groups had office bearers who took a lead role in management and record keeping at group level.

***Practising
what they have learnt: Group Leaders
conduct and maintain records***

3.3.2. Meetings, attendance, saving regularity

The sample groups in NGO1 had a meeting regularity of 97%, while in NGO2 it was 75%. Attendance of group members was 75% in NGO1 and 68% in NGO2. The percentage of women making mandatory savings on time was 71% in NGO1 and 68% in NGO2 (based on sample groups data).

Figure 12: Overview of Self- Management by Groups

Performance Indicators	NGO1	NGO2	Total
Percentage of groups organise and conduct meetings without support	76	74	75
Percentage of groups able to maintain records	71	83	76
Meeting regularity (in %)	97	75	
Member's attendance regularity (in %)	75	68	
Savings regularity (in %)	71	68	
Repayment rate (group to NGO) in %	95		

3.3.3. Effectiveness and rotation of office bearers/ representatives

In NGO1, each group has nominated three office bearers: President, Secretary, and Treasurer. Their responsibilities:

- President: Organise meetings, control the group, make decisions, attend to bank transactions and outside meetings
- Secretary: Support executive members for loan disbursement
- Treasurer: Money transaction and record keeping

The writing job was assigned to the treasurer but usually, anyone of them wrote the books.

NGO2 followed the concept of developing all group members and therefore had no concept of office bearers. Each group nominated three representatives. Their responsibilities were: organising meetings, writing the group accounts, controlling the group, decision-making, bank transactions and attending meeting outside the group.

In all groups visited, the office bearers/ representatives had not changed since inception of the group. Generally, election of and change of office bearers/representatives was seen as indicative of existence of democratic processes within the group. However, in the Indian rural context, women opt for unanimous choices.

In the meetings of the MTE team, women stated that they did not change office bearers/ representatives who did their jobs well.

However, not all the group members knew all the functions of the group, only the group leader did. Even the skills of office bearers in group management were limited. At member's level, group training and leader's level accounts training is required to make the groups self sufficient.

3.3.4. Project repayment (member to groups, groups to NGOs)

The overall repayment rate for NGO1, from group to NGO loans was 95%. The repayment rate from group to NGO for NGO2 was not available. Groups availed of bridge loans from NGO2 and these they repaid when they received loans through the banks. The visiting MTE team observed that the group repaid loans to NGO2 as soon as possible after bank linkage was established.

Data on member to group repayments had not been kept by either NGO. On the basis of sample groups, repayment rate for NGO1 was 98% for current loans, and 82% for NGO2.

3.4. *NGO capacity to implement savings and credit projects*

The implementing agencies have demonstrated their capacities to facilitate savings and credit groups for poor women. There is a need however, to strengthen capacities in certain areas. The following paragraphs analyse the capacities developed so far.

3.4.1. Effectiveness of Training

CARE has taken the lead in training the staff of all the CREDIT project partners. CARE has organised training for project staff on subjects of project design, indicator development, micro enterprise, financial management and Microsoft project management.

At the field level, training inputs were given to group leaders and members. In NGO1, the training for group leaders includes leadership, management of groups, record keeping and other issues through participatory methodologies. NGO1 have provided training to

836 group leaders and also refresher training for them. NGO1 have provided business development training with the help of a Delhi based consultant (MART) to selected beneficiaries of 66 groups in the first phase. Members of 62 groups have been scheduled for training in the second phase. Cross-visits (one group to another) and exposure visits were organised for group members. NGO1 have covered over 1800 women members through these training programmes.

The methodology (games, role- plays) followed by NGO1 for leader's training was well-appreciated by the group leaders interviewed during this study. Some group leaders have adopted some of the lessons like loan assessment but need follow up inputs to establish these practices.

In the case of NGO2, details of training at NGO level were not available. Discussions in sample groups show that there was an emphasis on training group accountants. However this training did not cover all group accountants, and was not followed up with refresher courses.

There needs to be greater emphasis on training at the grassroots level in both NGOs. The areas for training include: SHGs and their purpose, proper conduct of meetings, records keeping, maintenance of loan ledger, business ideas generation, business start up and management, discussion and action on common village issues (e.g. health & hygiene, sanitation, education, forestry, other social and cultural issues).

3.4.2. Management System in place and operation

The NGOs need an efficient and effective management system to be able to operate a financially viable and operationally sustainable savings and credit programme. The observations on certain key aspects are as follows:

Record Keeping: Lohardaga groups require a minimum set of books for record keeping. These include individual passbooks, a cash book, minutes and attendance cum savings register, a loan ledger and income and expenditure book. According to NGO2, they lack enough people at the local level to maintain records. Training of group leaders and those who keep records of the different groups can solve this.

NGO1 staff reported that when they do not attend meetings, the quality of record keeping suffers.

In the case of both implementing agencies, there is a need to augment local record keeping skills to an adequate level for project needs.

Audit of Group Accounts: While accounts are maintained at the group level the quality of records varies from group to group. In order to ensure that accounts are verified, group accounts need to be audited at least once a year. In the case of both NGOs, accounts at the group level had not been audited since group-formation. This needs to be corrected and a system for group audit needs to be established.

Monitoring: Monitoring of member to group repayment is not being done by either NGO2 or NGO1. This is essential for a credit programme. We were informed that computerised data systems are being developed for the purpose. This process seems to be unduly delayed. We recommend that these must be installed within a definite time frame, and must become operational as early as possible.

There is a need to upgrade the accounting systems both at group and at NGO level. New software, which has been introduced for group level data at NGO1, is reasonably detailed and provides adequate information for management control purposes. In the case of NGO2, it is still not fully operational and must be expedited. This becomes a priority also because the present manual systems for accounts keeping at NGO2 are incapable of providing required information for management control.

Accounting System: Accounting at present is done on CASH SYSTEM; therefore 'interest accrued but not due' is not reflected in the accounts.

Classification of Income and Expenditure: The classification of income and expenditure was not satisfactory in the case of both NGOs, at the group level as well as NGO level. Though both NGOs have made some effort, the system needs to be developed and established.

Statistical Ratios for Financial Performance Monitoring: Records should be maintained to enable the NGO to work out the ratios important for monitoring financial performance. Six key ratios for monitoring the financial performance are given in Appendix C.

NGO1 has sufficient data to work out many of these ratios. NGO2 must also ensure that the information package will enable the calculation of these ratios. Even if they are only a facilitating agency, they must develop the capability for successful financial monitoring.

Dealing with Delinquency: At present, no effort is being made to define defaults and bad debts. Consequently, no provision is made for bad debts under these circumstances. It cannot be said that accounts give a true and fair view of statement of affairs of the NGO.

3.4.3. Staff strength: stabilisation, skills, experience

In NGO1, the staff to group ratio is 1:20. This is adequate for financial monitoring of the groups, especially as they are supported by loan officers, one for each block, and a project coordinator. However, this is not adequate if there have to be value-added inputs in terms of non-credit support like training in gender, enterprise start-up, linkages with government programmes etc.

Field staff require greater exposure to micro finance programmes and skills.

The NGO2 project, consisting of groups by December 1999, was managed by a team of 3-4 people, of whom some gave a part of their time to activities outside of the CREDIT project. The staff group ratio was less than 1:40 during the project period under study. There was inadequacy of field staff for proper monitoring, supervision and strengthening of groups.

3.4.4. Ability to attain operational self sufficiency and financial self sustainability

Financial sustainability has to be ensured at the level of individual members, groups and the service provider i.e., the NGO.

- Sustainability at individual member level is indicated by the repayment rate, on the assumption that viable businesses will enable regular repayment.
- Financial sustainability of group operations has been achieved in both NGOs. In all the sample groups visited, the earnings were substantially higher than costs incurred at the group level.
- NGO level sustainability does not hold good in case of NGO2, as they do not have the objective of becoming an MFI. NGO1 reached a sustainability level of 20% till December 1999, as shown in the figure 14.

Figure 13: Sustainability Level of NGO1

Particulars	Year 1 (Rs.)	Year 2 (Rs.)	Year 3 (till Dec'99) (Rs.)
Cost	5,97,766	6,89,796	8,13,695
Loan disbursed	9,49,700	23,10,000	31,35,000
Lending Cost	0.63%	0.30%	0.26%
Earning	27,481	1,08,157	1,55,809
Sustainability	4.60%	15.68%	19.15%

Source: Project Report Matrix of NGO1 (April'99 to December'99)

At present financial sustainability of the CREDIT project is low, however, NGO1 is already in the process of considering ways of achieving it. There is a need for CARE to provide positive support for this process.

3.4.5. Expansion Plans

In the case of NGO2 there is an organisational decision not to go in for becoming an MFI, but to link SHGs to mainstream credit. This has been done by linking women's savings and credit groups to banks and groups have received bank loans. During March 2000, several cash-credit accounts have been opened for the groups. However, these gains have been achieved through the efforts of the NGO. The ability of group members to deal directly with banks, without continued support from the NGO, is severely limited. Capacity building of group members would therefore be a necessary component of the expansion plan of NGO2.

NGO1 has followed a credit methodology whereby they provide the loans for group members. The cost recovery from loan operations is to the extent of 20% of total CREDIT project expenses. This is low and raises a concern for long term sustainability of credit portfolio of NGO1.

This raises the question of interest spread, increasing number of groups, increasing outreach and reviewing efficiency of officers. In a situation where it is not appropriate for the NGO to collect women's savings, the credit operation become sustainable on the basis of externally raised loan funds.

With growth in outreach and scale of operations, they have considered registration of an MFI. The transition of NGO1 from being a CREDIT project into an independent MFI, needs to be examined for feasibility, and facilitated by CARE.

3.5. Participation in Income Generating Activities by women

The project envisaged that women would have taken up new income generating activities (IGAs) within three years of joining the women's group. None of the groups had completed three years at the time of the MTE study. There was sufficient evidence to indicate that women had invested in a number of income generating activities, though most of these related to agriculture and other traditional IGAs. Successive loans for business activities do not indicate a shift from traditional to new activities. They show adoption of a range of small, income generating activities leading to a diversified portfolio.

3.5.1. Number and Purpose of Loans:

Most loans taken are for agriculture (including seeds, fertilisers, labour for agriculture, etc.) and businesses (vegetable and fruit trading, goatery, piggery, poultry, petty shop, provision shops, etc.). Over the past three years, women who have taken multiple loans have switched from one to the other category. As these are all traditional activities, there is no significant difference between loans for new and traditional activities. In some cases loans have been taken for umbrella shops, bookshops, shoe-shops, etc., but these are not new businesses, rather those, which women (or their husbands) were involved with already. These women have taken repeat loans for the same activity, or taken the second and subsequent round of loans for agriculture. Therefore, even though the loan is for a business activity, the shift is not from agriculture to business or vice versa, but rather outlines the multiple portfolio of earning of a rural agrarian household. This difference does not apply in the context of the CREDIT project, as there are few new and innovative activities possible within the project framework.

3.5.2. Change in size of loan over time

Figure 14: Ranking by size and profitability of IGAs

Perceptions regarding size and profitability of IGAs: The preferences of several groups of women members as also village men for different income generating activities was noted and size and profitability of their businesses was analysed. Members ranked lists of various economic activities. (see box for example). A list has been compiled, with their comments, and given below:

- **Agriculture**
- **Bamboo baskets making**
- **Pig rearing, poultry (with risk of diseases)**
- **Vegetable trading**
- **Paddy processing**

Farm sector:

Agriculture was ranked the first by all women, as most loans are taken for seeds, fertilizers, etc. Women take small amounts of loans for agriculture, though, as higher investments in this sector are considered risky.

Vegetable growing: Peas are good for selling, but prices fluctuate wildly, leaving little margin in the peak season. Other good crops for selling are tomatoes and potatoes. Potatoes keep well, so can be grown, used for home consumption, and sold when cash is needed. Cauliflower needs more fertiliser, more labour required, so not a good idea

Wheat is generally grown only for home consumption. *Groundnut* is grown mostly as a cash crop, little of it is for home consumption. *Paddy processing* is done by some women. However purchase of rice is not common, so this is not a regular and lucrative business

Animal Husbandry:

Pig rearing is done by some families, and is a caste based economic activity. In those villages, which have a lot of farmland, there is shortage of space for pigs to roam around. In these villages, only those who can stall-feed pigs keep them. As many families do not have enough space in their homes, pig rearing is a somewhat restricted economic activity.

Cattle: cows and bulls are used for the farm. Goats are bought when there are people (usually children or other idle labour) at home to graze them. *Goats and poultry* are considered risky, as the animals can easily pick up infections and die. There is a dearth of veterinary services close to the villages.

Forest based activities:

Mahua picking and trading (both flowers and fruit) is a widespread economic activity as Mahua trees are abundant in the area. We noticed that even though many rural households

make an alcoholic drink (country liquor) from the flower of the *Mahua tree*, they often consume it themselves. Though several members opened up about the income earning aspects of Mahua, they considered this a comparatively small activity and did not rank it when doing the PRA exercises.

Fetching firewood from the forest and selling it in the market is an important activity for those households that do not have sufficient farm income.

Value added products:

Bamboo baskets- weaving and selling: good business, for members of the group, they run it individually, not as a group business

3.5.3. Family members/key informants perceptions about IGAs practised in the community

The MTE team had discussions with family members of women clients, especially their husbands. The questions related to how they felt about their wives being members of SHGs, their opinions on the benefits to women and their families, and whether they helped the women in the income generating activity. All the eight men interviewed in the NGO2 groups were positive. They felt that women had benefited by access to loans. They also felt that earlier, it was very difficult, as they did not have enough money for agricultural needs. Now they get timely loans. Availability and timeliness of funds help to increase the income of the family.

They benefit from the fact that the loan can be used for many purposes, like agriculture, medical expenses, other needs etc.

3.6. Women's Contribution to family income and participation in financial decisions

One of the impacts expected was that 80% of the project women would increase their involvement in key household financial decision making. The following indicators were set up to measure these:

- Perception of changes in household expenditure by women, and by other family members
- Percentage of income earned by the woman, used according to her wishes
- Percentage of women who feel that they are participating in their family's financial decisions

While exact quantification of the perceptions and feelings is not possible, PRAs and discussions with women indicate that:

- Women now have a larger amount of petty cash for daily needs.

- Women participate in financial decisions and have increased access to cash.
- The final word on business and loan decision is still with male members, though now women's opinions carry more weightage and better status in the consultation.

3.6.1. Women's contribution to household income

Figure 15: Women shared men's financial difficulties and decisions

It is difficult to distinguish between the contribution of women and men to household income in the type of study undertaken. In general, men take decisions relating to businesses and income generating activities. Income generating activities are undertaken jointly (except in the cases of widowed women or women headed households). They work together for agriculture, trading, shops and other businesses, distributing the workload according to priority and nature of the work. However, the issue of contribution was explored in participatory exercises and case studies. Results of a PRA exercise done with six women is given in the figure 13⁴.

Three men from Anandi village told this interviewer that they were proud of their wives. One of them said that not only was his wife sharing the financial burden, but shared his financial difficulties and decisions - e.g.- to take a loan or not- with him. " Earlier, I was the one who struggled to earn for the family, but now, she takes loans and earns money for us", he said. Not all the women were group members and their husbands were unhappy because they were not contributing extra income.

Figure 16: Before-and-After Income Analysis

Source of Income	Income before (In Rs.)			Income after (In Rs.)		
	Women Contr.	Other Family members contribution	Total income	Women Contr.	Other Family members contribution	Total income
Agriculture	4,125	6,000	10,125	5,000	9,500	14,500
Barber		3,000	3,000		3,500	3,500
Brick labour work	1,104	1,656	2,760	1,920	2,880	4,800
Other labour work	700	1,050	1,750	4,800	7,200	12,000
Business				5,180	2,220	7,400
Total	5,929	11,706	17,635	16,900	25,300	42,200
Percentage contr.	34%	66%		40%	60%	

⁴ Incomes indicated by women were approximations. Agricultural income was expressed in the form of baskets/bags. Weekly and monthly values were converted into yearly values.

It indicates an increase in women's contribution to family income from 34% to 40% during the project period. While men's incomes increased 1.16 times, women incomes increased 1.8 times.

An interesting case study: Hosalya Devi in Anandi village has taken a loan of 3,000/- for a hotel cum petty shop business. She had the shop even before the group was formed, but with less stocks and she couldn't meet the demand of her customers. She earned a net income of about Rs.30/- per day. She felt that this was not enough to manage the basic household expenses. During that time, women groups were organised by NGO1. She joined the group and took a loan of Rs.3000/- for expanding her business. She extended the shop and added more stock. Now, she sells grocery and country liquor too. The business is run by her husband and managed by her. She decides what to sell, at what rate, etc. He goes out to buy the products and later sells them. She does not sit in the hotel/shop because drunken men come to buy liquor.

Now, they earn Rs.150/- per day as net profit. Her husband gives the money to her and she manages the household and business expenses. Her husband asks her for his personal expenses. He feels that she manages finances well and he runs the business well. Both of them understand each other.

When the business was small, she could not spend enough for her children's education. Now she gives more attention to that. She says that she can only use her thumb impression to sign; she wants more for her children -they should be educated well and get employment in a town/ city.

3.6.2. Women and financial decision making

Figure 17: Sumathi: pride of her family and the group

Women are involved in financial decision-making in tribal areas, however, they do not take any financial decisions without consulting the men. It is usually their husbands who decide the amount of loans they must take from the groups, and the purpose for which the loan will be utilised. In many cases where the loan is for a shop being run by the man, or for agricultural needs, women give the money to the men to buy the stock, seeds, or fertilisers. Men, in turn, give the earnings from the businesses to the women for household

Sumathi(30) lives with her husband, three children , and her mother and sister in law in Soso village. She is the Secretary of the Adi Vasi Mahila Uthan Samiti, where she is doing a good job.

Her husband hands over his agricultural income to her. She gives him whatever he requires for his work or for personal expenses, and has never once felt that he wastes money. Sumathi and her husband consult each other and take joint decisions with regard to major expenses; the routine ones, she handles on her own.

Sumathi has taken five loans from the group for various reasons: agriculture, children's health and her piggery and liquor business. She manages both the businesses and earns from Rs.200/- - 300/- per week.

She is very happy that she has been able to efficiently manage the family finances

expenses. Many times, when women do not have money in hand, they get the loan repayments from their men folk. However, most of them have enough savings from their own earnings to bring for the savings to be made in the group.



*Before and After exercises:
Women from Ramdaga village,
Ranchi participate*

This finding is not surprising given the Indian context. In the tribal context, it does not necessarily imply dis-empowerment of women. It is the women who go to markets to sell vegetables, fruits and buy provisions for the home. Women have access to cash, and move out of their houses when they need to.

Participatory exercises revealed that earlier, women were able to decide to spend small amounts on their own for food and medical expenses. The approximate amount on which they take decisions ranged from Rs.150-200/- earlier and Rs.250-300/- now. They said the increase could be more than stated as they find it difficult to quantify the exact amount they spend. They said that a major benefit of joining the group was that now they spend (small or big amount) something without asking their husbands. They spend on entertaining guests, children's education, cosmetics and clothes for themselves. In one participatory-Before and After Analysis of financial decisions taken by women, the results were as follows:

Figure 18: Before- and –After Analysis of financial decisions taken by women

Before (Per month Expenses Amount in Rs.)	Items	After (Per month Expenses Amount in Rs.)
Rs.10/-	Toffee, Chocolate and Ice-cream (only now), for children	Rs.25
Rs.15/-	Stationery for Children	Rs.15
0	Cosmetics	Rs.50
Rs.100/-	Food expenses for guest and family	Rs.150
Average Rs.100/-	Cloth	Rs.100
Rs.70/-	General	Rs.200
Total : 295/-		Total: Rs.575/-

Source: PRA exercise conducted with members of Adivasi Mahila Uthan Samiti, Soso village, Ranchi.

Earlier they spent Rs.295/- per month. After they joined self-help group and started business activities, their expenditure went up to Rs575/-, it was almost double. The study

team visited at a time when there were no festivals. Women stated that during festivals, they were able to spend more on clothes.

Women felt their family members now share information about business and other decisions made in the family. Their participation in the decision making within the family has increased.

Credit has played a vital role in greater participation of women in the family's financial decisions. For a larger impact on gender relations, more training and facilitation for field staff and group members will be necessary.

3.6.3. Access and control over savings

Typically, we found that the husband, or mother in law, or father in law, whoever is the head of the household has access and control over home savings, apart from what women save in groups. Here, it is the head of the household who decides the use to which household savings will be put, whether for buying bullocks, two wheelers, repair or construction of houses, etc.

Figure 19: Pairodevi: when men retain control

However, this is not a universal picture. In some groups, women generally participate in financial decision-making, handle cash, and keep the money for their husbands as well.

There were women who had own savings outside the group as well. One of them said she would not have told her husband the amount she had saved, if she did not need a bank loan for which she had to involve him.

Pairodevi lives in Kurum village, Ranchi, with her family. Her husband has a small business, making utensils. It was to finance him that she took three loans that amounted to Rs. 6,400/-. She herself has no role in the business; she doesn't know any details of it, or the expenditure her husband has incurred against the loan amount that she managed to give him. She depends upon her husband for spending money, even for their daily food, the children's needs and for herself. The irony is that she has no money to call her own, even though it was her access to loans that got her husband the initial funds. He controls his family by his singular control of their finances.

Of the 18 women interviewed individually, only four had savings outside the group. Of these, two said they decided themselves on the use of these savings and in the case of two other women, their husbands had control over the savings. Savings outside the group are in the name of husbands or other male family members.

Figure 20: Greater sense of security

Most women bring their own money for group savings. Only sometimes when they

'Earlier we faced so many problems. Now I have confidence that she can live without me.'

have not saved the required Rs. 5/- or Rs. 10/- do they ask their husbands for this money. Some households do not have any savings other than the women members' savings in the group.

3.6.4 Other Empowerment Aspects

Mobility and access to markets: Women have access to markets, as they go there to trade grains for provisions. They also accompany their men for trading.

In groups and in individual interviews, most women said they go regularly to the local weekly markets. They visit block headquarters less often, and mostly for medical purposes. They rarely visit the district headquarters, or town, as they do not need to go there. It is only for their medical needs or to attend NGO meetings that women go to the district headquarters at Lohardaga or Ranchi.

Figure 21: Bitter about gender inequalities

Domestic violence: Domestic violence exists in the villages of tribal Bihar. Women mention it candidly. They do point to a reduction in domestic violence over the recent years. The reason for this is a general increased awareness among both women and men, and the fact that such behaviour has become generally less acceptable than before.

'It is our lot to work, work, work, provide food for the children, and also be beaten up at night. But in return, the assets are owned by men, we do not own land, or house, or anything else, we have a right only to work and to get beaten.'

--A woman from Garbutoli, Lohardaga

Figure 22: Members support children's education

Collective Action: Both the implementing agencies have taken action to promote a collective spirit among women. In Lohardaga, women meet other group members in the market, and they seem to recognise one another. As there are over 2000 women members this may be due to the collective events organised by the NGO from time to time.

In one of the villages, the government school had only one teacher, so the group decided to appoint another. The group members whose children attended that school contributed Rs. 10/- per month to pay the salary of the teacher.

In NGO1, several groups have accessed government schemes, especially for housing, mother and child-care, and credit.

In both agencies women stated the need for drinking water and schools close to the village, but many groups have not yet made a representation to the government. They possibly need some encouragement and guidance from the NGO towards collective action. In NGO1, women in one group stated that they wanted to visit the Panchayat and ask for drinking water, a road, electricity, and a common building for the group.

3.7. *The Partnership Process*

There was a quick turnover of staff among both CARE and the implementing agencies. While a certain amount of staff turnover and change cannot be wished away on a five-year time bound project, some of the problems that this created are:

- Staff turnover among implementing agencies led to a lack of continuity in project implementation, which then got delayed
- Staff turnover in the sponsoring agency created a problem in the implementing agencies as they had to strive for a new relationship to be established.

However, these problems were addressed after the advent of the current project manager at Ranchi, who was able to discuss these and other difficult project management issues with implementing NGOs. Other issues in the partnership process related to fulfilment of obligations as per the agreements. There have been regular meetings between CARE and partner agencies, some involving funding agencies supporting CARE for this project. These have been recorded, consequently the process of partnership management has been well documented. Difficult issues have come up from time to time (for instance staff development, use of funds, etc) and these have been discussed and sorted out between the partner agencies, with special attention from project manager of CARE in Ranchi.

4. Recommendations

The CREDIT project has performed well with respect to provision of regular access to credit. This has been done through establishment of self-help groups, which rotated savings and credit (obtained from external sources). The groups are self-managed to a large extent, though they continue to need supervision, monitoring and support from NGOs. However, if the project has to reach operational and financial self-sufficiency there needs to be an emphasis on capacity building of NGO staff and women members, and establishing adequate systems. Further, in order to ensure that the intended impact is achieved, and measured, inputs to women at community level become important. The suggestions of the MTE team for managerial and financial sustainability and for ensuring that project goals are achieved are given below.

4.1. Recommendations for ensuring project success

Some of the important recommendations for the implementation of the CREDIT project are as follows:

4.1.1. Capacity Building through Training

At the field level, we found that though groups meet regularly even in the absence of staff, the quality of meetings needs a definite improvement. This can be done by training group members, accountants and leaders, followed up with regular discussions about use of training, difficulties faced, further training needs etc.

Regular follow up by field staff is essential. The frequency of staff presence at group meetings needs to be at least once a month for 6 months, tapering down to once in two months after that. It should not go lower than this, as staff need to be in touch with problems and issues at the group level. Each implementing agency must equip itself with field staff to meet this minimum follow up requirement.

**Figure
23: Some
Suggested
Training
Modules**

- **SHGs and their purpose**
- **Proper conduct of meetings**
- **Record keeping :maintenance of loan ledger**
- **Record keeping: FU and Passbook**
- **Business ideas generation**
- **Business start up and management**
- **Discussion and action on common village issues (e.g. health & hygiene, sanitation, education, forestry, other social and cultural issues)**

In order to upgrade skills of group organisation and management at the field level, we recommend that each implementing agency provide for one or two officers exclusively for training purposes. Appropriate training modules should be developed and all group members must be covered for a number of training programmes. CARE should provide support for development of training modules. The training plan should cover each member at least once a month so that capacity building takes place at the grassroots level.

The implications are that specific training modules will need to be developed, trainers hired or trained within the organisation in addition to the CREDIT staff. An alternative way would be to reallocate responsibilities of field staff to include credit as well as training. The financial support for additional staff, logistics and other training costs will have to be provided by CARE and put into action on a priority basis.

Business Development Services (BDS): One of the partners, NGO1, has received BDS support from MART, an organisation with its head office in Delhi. This has helped in increasing demand for loans. MART professionals provided support to the field staff of NGO1 who are occupied with credit related tasks. They demonstrated enterprise promotion by focussing on women who had not started enterprises.

A plan must be made for integrating these skills and transferring them to the NGO so that after the association with MART is over, the NGO has the necessary skills and staff to continue these tasks. The training should also include:

- Technical advice on agriculture (e.g. land-use, seed varieties, cropping practices, etc.)
- Similarly, vocational training to group members to enhance their skills
- Design and product development for local crafts.

4.1.2. Audit of Group Accounts

Audit of group accounts on an annual basis is a necessity, and should be viewed as an integral part of good practices at group level. CARE must initiate group level auditing as soon as possible. When groups are involved in the process of auditing, it would help them to get trained in good accounting practices. The accountant chosen for the purpose could use an audit team that adopts a teaching approach along with the process of accounting.

In the case of NGO1, members have a different repayment performance with loans from their own savings as compared to those from the NGO. Loans from own savings have a lower repayment as compared to those from the NGO. This difference must be studied and group members must be taught to have the same repayment performance on loans from both sources.

4.1.3. Accounting system

At present, accounting is done on CASH Basis. We recommend that accounting should be done on ACCRUAL Basis instead of CASH Basis.

4.1.4. Classification of income and expenditure

Classification of income and expenditure should be made objectively. Income and expenditure should be separately segregated depicting the items in figure 21 below.

Figure 24: Classification of income and expenditure

<u>INCOME:</u>	<u>EXPENSES:</u>
Interest on loans to SHG	OPERATING EXPENSES:

Service charges on loans Interest on deposits with Bank Grants received Donations Received Other Income	Credit Program Expenses Salary Rent Utilities Stationery & Printing Transportation Depreciation Other Operating Expenses Training Expenses Salaries Rent Utilities Stationery & Printing Transportation Depreciation Other Operating Expenses FINANCIAL EXPENSES Interest paid on borrowed Funds PROVISION FOR BAD-DEBTS
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4.1.5. Monitoring

A system of recording and keeping track of member to group repayment must be introduced at two levels: group and NGO. At the group level, this should be done by the women members, who themselves must follow up the loans which were due to be returned at each meeting. At the NGO level, there is the need for a strong MIS system.

4.1.6. Reporting and Analysis

For in depth financial analysis it is necessary that accounting software should generate reports containing all the information in the checklist given in figure 23. While much of this information is available, it is not used regularly for analysis and making decisions. We recommend that reports for at least the information in the checklist be generated on a regular basis and analysed by the staff team every month.

Figure 25: Checklist of Information required

32	<ul style="list-style-type: none"> ● Program Outreach ● Number of Loans to individual as well as cumulative SHGs
Report	<ul style="list-style-type: none"> ● Total Amount of Loans to individual as well as cumulative SHGs ● Number of Loans to members ● Total Amount of Loans to members ● Number of loans outstanding ● Amount of Loans outstanding

4.1.7. Statistical ratios for financial performance monitoring

Records should be maintained to enable the NGO to workout certain ratios with the help of which it can judge financial sustainability and ongoing monitoring of the financial status of the operation. These are given in Appendix C.

4.1.8. Dealing with Delinquency

We recommend that the age-analysis of dues and overdue is kept in a systematic manner. Age analysis of loans outstanding is a standard technique of banking practice, which involves classifying loans in terms of length of time they are overdue. All loans must be monitored on a regular basis. In case of delinquency, the NGO must make a loan loss provision to the extent of such defaults. Though all overdue loans need special monitoring, overdue for over 270 days must be followed up rigorously, and a loan loss provision must be made for overdue for over 365 days. The overdue position must be discussed at senior management meetings of the NGO, and must be written off to the extent that it is not possible to recover.

There are different views on writing off of loans-past-due. The Inter-American Development Bank maintains that MF programme with loans of relatively short maturity should write off all loans that are more than 90 days late in repayment. As per CARE MF handbook, (Chapter 2, page 9) an MFI should not be writing off loans unless they have been carefully determined as losses. Some agencies prescribe writing off of a loan-past-due over one year. In the Indian context, given distances and the uncertainty of incomes of the poor, loans-past-due may be written off only after two years.

Normally 2% of the total outstanding loans should be provided for. Ministry of Finance requires that institutions maintain loan loss reserves equal to not more than 3% of the outstanding loans. As per RBI guidelines, if interest is not recovered for proceeding 4 quarters continuously or principal is not recovered for proceeding 2 quarters, it should be treated as a Non Performing Asset (NPA).

We recommend that both NGO1 and NGO2 should maintain a proper simple classification of loans-past-dues as under:

Figure 26: Classification of loans past- dues

Age of loans past due	Treatment
1- 30 days	On time
31-365 days	Over due
>1 year - <2 years	Provide for loan loss
> 2 years	Write off

It would be seen that delay of 30 days or less has been taken as on time repayment. Because, normal procedures such as the time taken in getting the drafts etc. made, approaching the office of the NGO, and other routine matters may take some time and keeping these aspects in mind, generally a delay of 30 days or less is considered on time repayment.

For the sake of simplicity, age of loans past due should be recognised at the end of that specific month.

4.1.9. Management of Idle Funds

Idle fund percentage calculated as follows:

$$\text{Idle Funds Percentage} = \frac{\text{Loan Funds in Bank + in cash}}{\text{Total Loan Funds}}$$

Idle cash is idle in the sense that it is not put to use in terms of loans. It also serves a useful purpose, that of providing liquidity in case of immediate need. Therefore, not all idle cash kept is useless.

The exact amount of Idle Cash will vary from group to group, as indeed from business to business and individual to individual. Though it is not possible to prescribe a given percentage, it is possible to give some criteria on the basis of which groups and NGOs can decide the acceptable levels of idle cash. These principles are:

- The need for loans, amount required to be used in businesses

- The cost of keeping idle cash
- The cost of taking out cash from the bank

Generally the best practice norms is 10-15%.

Figure 27: Assessing credit demand

The existence of idle funds with the groups reflects the fact that group members have themselves decided not to take this money, and is a reflection of the low demand for loans in these women. In the case of tribal women located in remote areas in both NGOs, there is reduced demand for external funds for two reasons:

In both implementing agencies, there is a need for assessing credit demand through a participatory and consultative process.

- Savings of groups have increased over the last three years so that their needs are met by their own funds
- There are very few business opportunities with high loan requirements in remote areas, as stated by the staff of the NGOs.

At the same time women members also indicated that the amount of savings in the group was not large enough for all of them to take larger loans.

The factors responsible for idle funds are:

- Seasonal, as loans are taken only when there is a need it for seed, fertilisers etc.
- Less than full utilisation of savings is an indication that there is no unmet demand for credit.
- Women may not take small amounts if the need is for larger loans, e.g. where five women want to take loans for Rs. 10,000/- each, a saving amount of Rs. 8,000/- may lie unutilised in the group.

This points to the fact that even though there may be idle funds in a group, there may still exist an unmet demand for credit. This calls for proper loan estimations matched with a credit methodology which is appropriate to the needs of group members. This is a need for both the NGOs, NGO1 and NGO2.

4.1.10. Ensuring Financial sustainability

For ensuring financial sustainability a key factor is the cost of funds to the organisations. The outreach in terms of number of groups, number of women taking loans, the size of the loans and the interest on loan are the other factors which determine the loan amount and the earnings. Two critical factors are improving cost recovery and repayment rates.

Improving Cost Recovery: A CREDIT project should have reliable income to cover all of its operating cost. Income includes grants, which have a long-term commitment. It is necessary to see that:

Income earned from interest and service charges should be greater than or equal to the cost of delivering credit. This requires that:

- Interest and service charges structure should be adjusted until it generates enough income to cover all costs and
- High rate of loan repayment should be maintained.

For improving financial sustainability for the project we need to do the following:

- Proper credit assessment
- Efficient loan processing
- Regular loan utilisation check
- Utilisation of MIS to highlight potential repayment problems
- Development of systems to encourage timely repayments
- Development of organisational culture that does not tolerate delayed payments.

4.1.11. Staff strength: stabilisation, skills, experience

The NGO1 staff must be complemented by trainers who must be located within the project, with specific skills in gender training, and with the task of making government and other linkages. This can be a cadre of three to five people who service all the groups of NGO1.

In NGO2, there is a need to recruit more professional staff. If this is not possible, NGO2 must take serious note of its lack of personnel, and find the way out by building capacities of local resource persons to do the monitoring tasks that the NGO is not able to perform. Thus the villagers who are currently being paid to do group formation (called group promoters)can also be trained to write accounts well and given the task of monitoring the groups within a certain radius. If necessary, the NGO may facilitate the travel of these village level resource persons to increase their mobility.

The field staff of NGO1 has varied levels of experience, from one to twelve years. They are good at implementation. However, they need exposure to different models of MF and to the different systems of accounting, monitoring that exist in different MF models.

CARE may have a series of training and exposure visits designed for the coming year to bring the field staff of the two NGOs to the 'state of art' in the MF field at present. In NGO2 these inputs may be given to some field staff and some group level resource persons and leaders.

4.1.12. Expansion plans

While mainstreaming is a valid way to operate in the Indian context, training to women members and increasing awareness and knowledge about dealing with banks is essential. This knowledge must not be only with the leaders of the groups, but with a large number of members. Thus a strategy must be made for training to group members, and strengthening of groups, as per agreed indicators.

NGO2 plans to promote cluster associations with the objective of collectivisation. An important part of a people's organisation joining the mainstream is that it should be enabled to take over linkages. The need for external support for credit linkages in the area will continue. Therefore, a sustainable withdrawal strategy calls for building the capacity in the proposed cluster associations to undertake development tasks as well as financial monitoring and linkages.

4.1.13. Transition to MFI

NGO1 has reached the stage when there is a need for support through out the process of transformation to an MFI. This support should include:

- a visioning exercise for NGO1
- education of CARE staff and NGO1 staff regarding issues relating to MFIs
- establishment of criteria for transformation
- appropriate capacity building (HR, Incentive policy, time and work study of field workers), review of interest rates, loan estimation exercise, time line and budgetary requirements for sustainability.

In case the transformation process into sustainable MFI is to extend beyond the project period, a plan for NGO support needs to be made. CARE's role in this case needs to be clarified

4.1.14. Women and financial decision making

There is increase in women's involvement in key household financial decisions, but such increase can not be termed as 'significant' at present.

This cannot be expected to happen automatically. If the project wants results on this parameter at the end of the project, gender training at the village level, with members and their husbands, must be introduced. As both NGOs do not have the requisite resource people on their project teams, CARE may contact competent and sensitive consultants in this field, to work with the NGOs and women at the grassroots in the design of the modules for such training. The consultants must devote time with villagers at the pilot

stage, and also do a ‘training of trainers’ programme with staff of both the NGOs, so that they may carry through the module of training with the women’s groups.

In order to deal with methodological issues of impact studies, we recommend that CARE set up a longitudinal study, with the involvement of CARE and partner implementing agencies. A few sample households may be selected, based on defined criteria of household income, and then monitored over the next two years. At the end of the project, analysis of these households and their income would have been done longitudinally, and would provide a measure of incomes raised. Similar measures have to be taken for assessment of the second objective, that of increased participation of women members in the financial decisions within the family.

4.2. *Recommendations for Project Framework*

An integral part of the MTE was validating the assumptions of the project along with the project implementing agencies and CARE. The basic assumptions about the need for credit for rural poor women remain valid, thus the need for the CREDIT project, based on local needs is validated.

However, the assumptions about the amounts of loans required by women are not necessarily adequate. While on the one hand there are groups where savings have reached a level where they meet their credit needs from savings and do not want external loans any more, on the other hand there are also groups where there are unmet credit needs. There is a need for credit estimation studies to be set up, and made part of the project, at least for implementing agency that aims to work as an MFI.

4.2.1. Assumptions about loans and New IGAs

A major assumption made in the project is that new IGAs will be taken up as the project proceeds. The new IGAs will have higher income earning potential and therefore higher impact in terms of incomes.

The reality of rural, tribal Bihar is that there are few income generating options in the nature of ‘new’ activities. Traditional options include agriculture and allied sector. Scope and opportunity for what is considered ‘new’ and innovative businesses is limited. The distinction between ‘old’ and ‘new’ activities is based on the assumption that women graduate from one type of business activity to another. As this is not true in this area, this distinction need not be made in the CREDIT project. Thus the requirement that the project must witness a graduation from traditional to new IGAs must be deleted from the project document, and need not be assessed at the time of the final evaluation.

4.2.2. Re-writing project strategies

While the CREDIT project objective is the same, the strategies for the two partners are different. NGO1 needs to integrate its micro-finance with different sponsoring agencies and consolidate its credit portfolio. This may well require a different institutional form. NGO2 plans to continue providing inputs as a facilitator for the groups to make financial linkages for loans from banks. The division of tasks and responsibilities between the groups and the NGOs will develop differently in each NGO. Hence, there is a need for establishing the definite indicators for final assessment of the two partners

CARE CREDIT Project, Ranchi and the implementing agencies need to write down a strategy that suits the redefined objectives. This must make the objectives its starting point and reaffirm that the indicators stated therein are acceptable. On this basis, the strategy for achieving the project objectives within the redefined time frame must be spelt out, with CARE and the implementing agencies, together. This will then be the document to which the project can adhere, for the remaining duration of the CREDIT project.

4.2.3. Financial sustainability at NGO level

Financial sustainability at the NGO level is a concern in both NGOs.

In the case of NGO1, there are 13000 women covered through micro-credit programmes, one of which is the CREDIT programme of CARE. There is a need for NGO1 to consider consolidations and to make a strategic plan towards achieving operational and financial self sufficiency.

In the case of NGO2, credit to groups is to be provided through bank linkages, hence group level operational and financial sustainability becomes relevant. Capacity building inputs from the NGO need to be supported through grants to the NGO. NGO2 should also consider building the capacity of cluster level associations to provide effective and sustainable credit linkages to groups.

5. Project Lessons

5.1.1. Facilitating women's empowerment through credit groups

Women's participation in financial decision making within the family is difficult to find out, and changes in a very subtle manner, over a long period of time.

Credit alone may not empower women. Several factors determine the extent to which women participate in family decision making, many of these are not even well understood.

The CREDIT project, like any other project, has its limits, inputs for gender training and development of social leadership among women may have to be sourced from outside the project by the implementing agencies. However, training can have only a limited impact. Change is more likely to be influenced by the regular interaction of field staff at group meetings with women.

In most group meetings, only savings and credit operations take place. Discussions on social issues are difficult to generate because:

- women are in a hurry to get back to their homes for regular chores
- the group is seen primarily as a savings and credit group, both by women as well as the credit staff of the NGO

If empowerment is an agenda, inputs beyond credit become necessary. Sponsoring and implementing agencies must plan for how the discussion of social issues will be facilitated within members of the credit groups. Two possible options are to do this at credit group meetings, or in other forums.

5.1.2. Compatibility between local conditions and MF model

An MFI can be sustainable in an area where significant numbers of women can absorb credit, in growing loan sizes. The local conditions for this to happen may not exist in remote areas. The MF model has to be appropriate to the local potential for IGAs and local credit needs

5.1.3. Benchmarks to assess and review quality for every project

The way in which groups develop differs for different credit methodologies, as the latter include different group processes. Accordingly, indicators for quality of SHGs is different across different credit models. Benchmarks to assess and review quality of SHGs must be established for every project.

5.1.4. Group discipline

A system of fines for non-attendance, irregularity of savings, and for coming late helps with savings collection and improves discipline.

5.1.5. Managerial sustainability

The strategy of direct bank linkages for groups has the potential to make women independent of the NGO over time. This strategy calls for emphasis of capacity building of group members and other community service providers with regard to development of managerial skills.

5.1.6. Credit off-take

One of the major factors that determine MFI sustainability is credit off-take. This may be overestimated in generally backward regions, with limited market potential. One view is that in remote areas, the range of IGAs that can be started is limited, which limits demand for credit. On the other hand, it may be argued that if women were sure of access to sufficient amounts of credit, they would be more enterprising and take some risks. There is an element of truth in both these views, and the reality of any one situation may be specific to that situation and time. A system for loan estimation, with periodical assessment, is useful for credit projects.

5.1.7. People's capacity to access mainstream benefits

NGOs implementing micro credit projects can also use their networks and links with banks/ government to get mainstream benefits for groups. These include benefits under schemes like Swarna Jayanti Gram Swarajghar Yojana (SGSY, a scheme for self-employment), housing, loans, and cash credit facilities. It is usually the staff of NGOs who facilitate these linkages, as they are known to government and banking sector officers. The latter category are not always amenable to talking directly to women and dealing with them.

Over time, women's skills and capacity to get information about schemes, and to benefit from government and banking linkages needs to be increased.

5.1.8. Community participation in decision making about federating

The decision whether to federate, and objectives and structure of the federation are taken by implementing agencies. This is usually based on the vision of the NGO. It is important that people are involved in the decision making about the role and structure of the federation and not only in the process of implementation. A rigorous participatory process at the group members' level needs to be put through before decisions about federation are finalized.

5.1.9. Credit policies and credit risks

There is a conflict between meeting credit demands of members and minimising credit risks.

The NGO which runs a credit operation faces this conflict. Women's demand for credit has increased such that they would like to prepay the loan in currency and draw higher amounts for the subsequent loans. However, the rules of the NGO permit a second loan only after the first has been repaid. There is also a notion of the maximum loan per member. From the point of view of women, this is restricted availability of credit, and from the point of view of the NGO it is reasonable to prevent over-exposure to credit risk.

A new entrant to MF may need to discuss credit policies with other organisations to learn from their experiences. Internally, it needs to review and revise credit policy every six months, at least for the first three years.

5.1.10. Loan monitoring by group members

Unless special efforts are made, loan-monitoring processes do not get established at the group level.

In both NGOs, loan monitoring by the women themselves was not adequate. In one, the NGO staff took the lead, in another, some of the office bearers kept track of loans which were to be returned that week. Mostly, the women who were to repay brought the money, but there was no system for tracking dues and overdue at the group level.

Simple loan monitoring systems must be introduced at the level of groups, which can be used both by women members and by staff.

5.1.11. Lending to non group members

There are several groups who lend to non-members in the beginning, or after savings reach a level where members' own needs are met. They may lend because they are convinced of the need of a villager (e.g. emergency health needs, etc.). Another reason for lending to non-members is to earn higher interest for the group. Over time, women tend to realise that as there is no peer pressure, it is too risky to lend to non-members, and most groups then stop this practice.

5.1.12. Distribution of group earnings

Sharing of earnings leads to perceived benefits. At the same time, keeping it within the group leads to increased group capital. Group members need to understand the implications of either choice very clearly.

Implementing agencies could lead discussions on this issue in groups, so that informed and participatory decision making becomes possible for group members and for the NGOs.

5.1.13. Credit linkages through banks

The project has seen some really innovative ways of credit linkages. NGO2 has made an innovative arrangement for SHGs with banks. Seventy-six SHGs were provided cash-credit limits so that they could draw loans as per their need, and pay interest on only actual amounts drawn.. Groups had not yet started to use cash credit limits at the time of MTE.⁵ This facility has several advantages over term loans, as the latter needs to be sanctioned again when it is fully repaid, while cash credit limits are an ongoing facility.

5.1.14. Categorisation of loans

In NGO1, loans were categorised as production (agriculture, business, etc) or consumption (food, education, medical. marriage, etc) loans. From the people's point of view, expenditure on education is an investment in the children and in future family incomes. Similarly medical expenses, as also on food needs are necessary for survival. Even marriages are seen as social investments in the tribal culture. The NGO views these expenses as "consumption" as they do not yield incomes in the immediate future.

Staff insistence on stating only productive purposes on loan applications can and does lead to mis-reporting. These "consumption" loans are less-than 10% of total loans during the project period and have shown very little growth while production loans have quadrupled. Insistence on women taking only production loans needs to be given up if the intention is to respond positively to the livelihood needs of women. Emphasis on taking loans for productive purposes is better done through motivation rather than control.

5.1.15. Local leadership development

Having more women take responsibilities as office bearers/ representatives may be more sustainable than developing only one or two women as leaders.

NGO2 has followed an approach where women take responsibilities, rather than have the status of leaders. assigned to them.. Each group, therefore, has three signatories to bank accounts. These women are not designated as president, secretary, and treasurer and are not promoted or trained as leaders by the NGO. Instead, their role is that of office bearers, for the purpose of operating the group's bank account, and they are accountable

⁵ The cash-credit accounts were opened in March 2000, after the period under review (till December 99), but just at the time when MTE was conducted.

to the group members. In reality, however, this does tend towards informal leadership, especially where there is a significant difference between literacy levels, awareness and leadership qualities of the account holders and the members.

5.1.16. Community Capacity Building

Certain basic minimum skills and a knowledge base needs to be built at the community level for a project to be managerially sustainable.

Excessive capacity building of leaders and over dependence of SHGs upon them can create undesirable situations (prone to leader domination, inequitable distribution of loans, benefits, etc.). Project design needs to incorporate broad-based capacity building of members and rotation of leaders/duties/responsibilities.

5.1.17. Transition from credit to enterprise start-ups can prove difficult

Business Development Services and business ideas generation inputs are important for micro finance programmes.

The staff of a credit programme usually get fully occupied with credit related tasks, and external support in the form of BDS services can prove useful. The staff may also need training in business ideas generation, and other aspects of business development. Alternatively, some sector staff may be employed by a credit project to support the credit staff with enterprise promotion support.

5.1.18. Transition to MFI

As the scale of MF activity grows, there is a need to ensure that MF operations attain financial sustainability. An NGO will need to consider the possibility and implications of forming a separate MFI

5.1.19. Personnel policies of partners can affect the project adversely

One of the implementing partners had a policy of recruiting staff only at the lowest level. This means they recruited staff with 16 to 18 years of education, with up to two years of work experience. These development apprentices were then put through an intensive training programme for a year, and promoted as development professionals. These young women and men have one to three years of experience. The sponsoring partner felt that this was insufficient for a programme like CREDIT, where adequate experience in micro credit sector was required.

Sponsoring partners need to negotiate for the most appropriately qualified and experienced staff to be deputed to their projects. This is best done at the beginning of the partnership.

The micro finance scenario in the country is changing very fast. In the past three years, several new initiatives in micro finance have been launched, many of which focus on the promotion of new micro finance institutions. However, with the spurt in bank finance to SHGs, these new initiatives are already finding it difficult to operate at a scale that gives financial self-sufficiency. Sustainability is a key requirement of these initiatives and lessons learnt from the CREDIT project in this regard can provide a lead for other, similar initiatives.

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November 2000