Mobilizing Rural Institutions for Sustainable Livelihoods and Equitable Development
CASE STUDY – SELF HELP GROUPS IN ORISSA (INDIA)

Draft Report

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Acronyms used in this Report
ANM: Auxiliary Nurse Midwife
AWC: Anganwadi Center
AWW: Anganwadi Worker
BDO: Block Development Officer
BJD: Biju Janta Dal – Regional Political Party in Orissa
CDPO: Child Development Project Officer
CHC: Community Health Centre
CPI (M): Communist Party of India (Marxist)
DCCB: District Central Cooperative Bank
DRDA: District Rural Development Agency
GoI: Government of India
GoO: Government of Orissa
GP: Gram Panchayat
GSDP: Gross State Domestic Product
HYV: High Yield Variety
ICDS: Integrated Child Development Scheme
IGA: Income Generating Activities
JFMC: Joint Forest Management Committee
LAD: Local Area Development
MDM: Mid Day Meal
mFI: Micro Finance Institution
MLA: Member of Legislative Assembly
MP: Member of Parliament
NABARD: National Bank for Agriculture and Rural Development
NPA: Non Performing Asset
NREGS: National Rural Employment Guaranty Scheme
OBC: Other Backward Class
OMFED: The Orissa State Cooperative Milk Producers' Federation Limited
PACS: Primary Agriculture Cooperative Society
PDS: Public Distribution System
PHC: Primary Health Centre
PRI: Panchayati Raj Institutions
PTG: Primitive Tribal Groups
RBI: Reserve Bank of India
RI: Rural Institutions
RLTAP: Revised Long Term Action Plan
RRB: Regional Rural Bank
SC: Scheduled Caste
SGSY: Swarnajayanti Gram Swarozgar Yojana
SHG: Self Help Groups
SHPI: Self Help Promotional Institutions
SSI: Small Scale Industries
ST: Scheduled Tribe
VEC: Village Education Committee
VSS: Vana Samrakshan Samiti
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1. Introduction

The institutional case study in Orissa aims to examine the functioning and performance of three different types of rural institutions to draw lessons regarding strengthening local institutions for improving pro-poor development outcomes. The case study also aims to identify the interaction between various rural institutions (RIs) and the extent of linkage and convergence among institutions particularly in relation to the Gram Panchayat. One of the key expected outcomes of the institutional case study is to assess the sustainability of these rural institutions and the lessons that can be drawn to inform future project design to leverage existing institutional capital for sustainable and equitable livelihoods.

For the institutional case study; Gram Panchayats, Pani Panchayats and Self-Help Groups are the three focal institutions that have been selected from different institutional domains. These institutions have been selected due to their prevalence across rural Orissa as well as the fact that each has a different ‘problem purpose’ (local governance, user groups – service delivery and resource based – and common interest groups), mandate, and governance structure.

The field research was undertaken in two locations, with different socio-economic and ecological context; Bhadrak and Kalahandi (two provinces / districts of Orissa), with an objective to capture the difference in processes of interaction between rural institutions in different context. Two Gram Panchayats (GPs) were selected in each districts on the criterion that each GP should have the three focal institutions covered besides presence of other formal and informal RIs.

This case study on Self Help Group (SHG) evaluates their functioning and characteristics particularly in the context of ensuring access to credit for production and emergent needs of rural poor in Orissa and draws generalizable lessons on the basis of case site studies.

2. Description of the context

2.1 State Context

Demographic and Social Context of Orissa

Orissa is located in the east of India, bounded by Bay of Bengal and states of Andhra Pradesh, Chhattisgarh, Jharkhand and West Bengal. Orissa has 4.74 percent (0.16 million sq km) of India’s landmass and shares 3.85 percent of the country’s population. 31.06 percent of the state’s geographical area is covered by forest (State Forest Report 2003, FSI), one of the highest in the country. The state has 30 districts, 314 community development blocks, 6,234 Gram Panchayats and 51,349 revenue villages.

The population of the state is 36.81 million (2001 census), which shows 16.25 percent decennial growth as compared to 23.86 percent at the national level. The Scheduled castes (SC) and Scheduled tribes (ST) are 16.5 percent and 22.1 percent of the total population in 2001 (almost similar proportion in 1991). The state has improved its literacy rate from 49.10 percent in 1991 to 63.08 percent in 2001. The male and female literacy ratio stands at 75.35 percent and 50.51 percent respectively in 2001. The literacy rate among SC and ST population though has improved, still remains low at 55.53 percent and 37.37 percent respectively.

The state divides into 10 agro climatic zones with diverse characteristics. Nearly, 85 percent of the population lives in rural areas, heavily depending on agriculture and allied activities for their livelihood. The realizable irrigation potential of the state is 5.9 mHa, but only 46.8 percent of cultivated area (2.76 mHa) has been provided with irrigation till March 2007.

Orissa is home to 62 indigenous communities (tribal) and 93 scheduled castes communities. Among the various tribes, 13 have been recognized as Primitive Tribal Groups (PTGs). 12 districts of the state are fully or partially covered under scheduled area (118 tribal development
blocks). 29,300 villages in the state are forest fringe (highest in the country) depending significantly on forest based resources for livelihoods.

**Economic Situation of the State**

The GSDP at the constant prices (1993-94) has increased at an annual compound growth rate of 4.93 percent and is estimated at Rs. 330.4 billion in 2005-06. However, this growth is not uniform across the years due to frequent natural calamities or drought that affects agricultural production. The primary sector contributes about 40-42 percent to the state income and bad agriculture year strongly affect the state’s GSDP. The state has experienced 3 such years during the last 6 years. The secondary sector shows inconsistent growth, varying between 4 percent to 21 percent during the period 2002-03 and 2005-06. The growth of tertiary sector (10-11 percent), finance and services sector (6-7 percent) has been fairly consistent during this period. In view of significant dependence on agriculture the State Government adopted agricultural policy (1996) with the main objective of doubling the production of food grains and oilseeds by the end of the 9th plan and adopted agricultural development as the main strategy for eradication of poverty. The policy accorded industry status to agriculture sector to encourage private investments in the sector.

Orissa has vast mineral deposits and is estimated that of the total national reserves, the State has 97.37 percent of chromite, 95.10 percent of nickel, 49.74 percent of bauxite and 33.91 percent of iron ore. The government in order to increase industrialization has signed several MoUs with industrial groups and out of 66 MoUs signed during 2002-07, 25 projects have started fully or partially in the state (December 2007). More than 70 percent of the MoUs are in the steel and aluminium sector for utilizing reserves of minerals in the state. At the end of 2005, the state had 83,075 SSIs with an investment of 22.84 billion and generated employment for 0.5 million people. 51,398 handloom and Khadi industries were reported to be operating in the state in 2006.

**Poverty Context of the State**

Orissa is the poorest state in India with 39.9 percent of people below the official poverty line as compared to 21.8 per cent at the national level (Planning Commission, 2004-05). 15.4 million people were estimated to be below poverty line in the state in 2000. Majority of the poor belong to the lower social groups (SC and ST) and concentration of these groups is higher in southern and northern region. It is estimated that 88.56 percent of the ST and 46.23 percent of the SC population of the state reside in these areas. The coastal plains have relatively lower concentration of poor; however the proportion of poor among SC and ST is high even in these areas.

The incidence of poverty in undivided KBK is primarily due to chronic drought conditions, poor development of agriculture and lack of alternate source of livelihoods. This has led to high levels of food insecurity, distress migration and reporting of starvation deaths. Agriculture is the mainstay of the region’s economy and khariff paddy cultivation (with very low yield of about 1.5 ton per ha) is the principal means of livelihood.

The State Government has constituted a Poverty Task Force (PTF) to suggest an appropriate policy framework for broad based pro-poor growth. The task force has targeted to reduce poverty by 10 percent by the end of eleventh plan. The state is reported to be lower on Human Development Index and ranks 10 among 14 states where HDI has been estimated (2004).

**Political Context of Orissa**

Orissa came into existence in 1936, but was declared a separate state of Indian Union in 1949. The state was under Congress government for better part of period after independence till 1990. Regional parties and other national parties were able to form coalition government in 1967, 1969 and 1977, but none of them were stable and did not last full terms. It was only in 1990 that the
Government for the first time passed to a non-congress party (Janata Dal) that lasted for full five years. The fifth regional party the Biju Janta Dal (BJD) was formed in December 1997 and it won 8 out of 12 Lok Sabha seats in the ensuing election. The party won the 2000 assembly polls in alliance with BJP and was voted back to power again for the second term. Other smaller regional parties have emerged in the last few years, but have not been able to win many seats.

2.2 Social, economical and political context of Bhadrak

Bhadrak is one of the coastal districts of Orissa, covering 2505 sq. km area which is 1.61 percent of the total area of the state. The forest cover is less than 4 percent of the total area. It has a long coast line of 50 km and the area covers soft alluvial, loam and sandy type of soil with average to moderate temperature and rainfall. The district has one revenue subdivision and three important towns; Bhadrak (Municipality), Dhamnagar and Basudevpur. The district was created in 1993 after separation from Balasore district and has 7 blocks, 193 Gram Panchayat and 1356 villages.

The population of the district is 1.3 million with a higher decadal growth rate than that of State (4.36 percentage point). 89.43 percent of the population stays in rural areas (Census 2001). Schedule Tribes and Schedule Castes constitute 1.88 percent and 21.5 percent of the total population respectively. The district is a non-scheduled area and the tribal are not among the native population. They are largely concentrated in the coastal area of the Basudevpur and Chadbali and have tiny settlement at the outskirt of the coastal villages.

The literacy rate of the district has increased over the years and in 2001 it was 73.86 percent, which is almost 10 percentage point higher than the State average. The male literacy rate is at 84.65 percent as compared to female literacy rate of 62.85 percent.

Main workers constitute 78.3 percent of total workers (0.4 million). Cultivators and agricultural laborers are 86.34 percent of the main workers strength, indicating dependence of the district on agriculture. The district has vast potential for fisheries with long coast line and presence of several rivers like Baitarani, Salandi, Kansabansa, Mantei, Kohila, Genguti, Reba and Kapali.

The district is covered by major development program for the State and Centre. The district has been selected under the NREGA program in the second list and would start the program implementation in 2008.

The major economic activities in the district are agriculture and other allied activities like dairy, fishery, poultry and small business such as retail trade etc. About 65 percent of the area of the district is covered under agriculture. The percentage of area under cultivation covered by major and minor irrigation is about 17.3 percent. Paddy is the major crop of the district and covers almost 0.17 million ha of land. The production of paddy is approximately 0.51 million tons (2005). Other important crops of the district are sugar-cane (0.02 million tons), black gram, pulses and potato. The total fish production of the district is approximately 0.02 million MT, of which approximately 50 percent is marine fish production. Some of the coastal blocks have also significant salt production.

Bhadrak has no mineral resources and the industrial scenario is not developed. There are no large industries in the district and only 179 SSIs are reported in 2004 (Directorate of Industries Orissa-2005). Apart from M/s Ferro Alloys Corporation Ltd (FACOR), most of the SSIs are agro-processing units. The cottage industry in the district has reduced from 1124 units in 2003 to 750 units in 2004. However, the handloom sector has grown and the number of units has increased from 21 in 2002 to 324 units in 2004. The registered number of unemployed in the district stands at 23,027 in 2003.

Bhadrak traditionally has been a strong hold of Congress party. The contribution of Bhadrak has been high in politics and political leadership in Orissa. Two former chief ministers of Orissa were...
from Basudevpur legislative assembly constituency of this district. Almost all the major political parties have presence in the district and have fielded contestants in the last assembly election. Bhadrak has five assembly constituencies and one seat for Member of Parliament. The assembly constituencies of Bhandaripokhari, Bhadrak and Chandbali have Congress MLAs while Dhamnagar and Basudevpur have BJD MLAs. The MP seat is with BJD.

The Congress party has largely dominated the Panchayat elections during the last 10 years in the district. The performance of BJP and BJD in the last two years has improved and their alliance has done reasonably well in Dhamnagar and Basudevpur. However, in Bonth, Bhandaripokhari and Bhadrak the PRI representatives are mostly from the Congress. In Chandbali, Congress singularly holds majority of the Panchayat seats in the last three terms.

2.3 Social, economical and political context of Kalahandi

Kalahandi district is located in the south western part of Orissa with a geographical area of 7920 sq km constituting about 5.09 percent of the area in the state. 37.6 percent of the total area of the district is covered by forest. It has two distinct physiographic regions; the plains and the hilly tracts. The plains cover about 59 percent of the total area of the District. The Hilly tracts are mostly located in the South Western part of Bhawanipatna Subdivision. Some of the hilly regions are covered with dense forest.

The red laterite soil is commonly found across the district. The climate of the district is extreme with temperature and rainfall variation. River Tel (tributary of Mahanadi) and Indravati (tributary of Godavari) are the principal rivers of Kalahandi. Most of the rivers in Kalahandi dry up during the summer season. Annual drought is a normal feature of this district.

Kalahandi has two revenue subdivisions, Bhawanipatna and Dharamgarh, and 13 community development blocks. The district has 273 Gram Panchayats and 2257 revenue villages. The district headquarter is located at Bhawanipatna and is well connected by other parts of the State.

The district has a population of 1.34 million (Census 2001) with a decadal growth rate of 18.09 percent, which is 1.84 percentage point higher than the State average. The sex ratio is favorable with 1001 female per 1000 male, which is better than the State average of 972 females per 1000 males. 28.84 percent of the total population belongs to schedules tribes while 17.67 percent belong to schedule caste. The tribal constitutes the most vulnerable section in the district and are concentrated in Thuamul Rampur and Lanjigarh blocks. Bhawanipatna, Kesingha, Madanpur Rampur and Narla also have significant tribal population. The dominant tribes in the district are Kondhas.

Rural population constitutes about 92.49 percent of the total population and depends heavily on the primary sector. Literacy rate in this district is 45.94 percent against the state average of 63.08 percent. The male literacy rate is 62.66 percent while the female literacy rate is 29.28 percent.

Kalahandi has a very high incidence of poverty. It is estimated that about 0.2 million households are below the official poverty line (1997), which is approximately 62.71 percent of the total households in the district. In 1992, the proportion of household below poverty line was estimated to be about 85.77 percent.

Agriculture is the primary occupation of the district. Paddy, Mandia, Kushla are the major crops grown in the district. The average land holding size is 1.74 ha in the district and the Net Sown Area is about 38.99 percent. The district has one major irrigation project i.e. Indrāvati Systems, one medium and 69 minor irrigation projects and the total irrigable area is 18.45 percent. The total area irrigated from all sources i.e. canal irrigation, lift irrigation and dug wells is 30.63 percent of the total area in the district.
A significant section of population depends on Minor Forest Produce collected from the forest. The marginal workers constitute about 17.89 percent of the total population.

The district is rich in mineral resources like bauxite, graphite, Manganese, Iron and Quartz. Only Bauxite and Graphite has been commercially exploited. Kalahandi has the second largest deposit of bauxite in Asia and is found in Lanjigarh Block at Niamgiri in large scale\(^1\). However, the district is industrially very under developed and has only 92 registered SSIs (Director of Industries, 2005). The districts have 28 working mines with coverage of 360 ha which is 8.94 percent of the total working mines in Orissa (Director of Mines, 2005). Besides the major state and central development program, the district is covered under the RLTAP and receives significant funds earmarked for KBK development.

Kalahandi has three assembly constituencies and BJP and CPI (M) are the two major parties dominating the assembly and PRI election. BJP holds all the three assembly constituencies in the district. The present Panchayats are dominated by BJP and the party holds more than 70 percent of the PRI members. CPI (M) is the next important party and had received the second largest vote share in the Panchayat election of 2007.

### 2.4 Brief Description of the Study Sites

#### Ambroli Gram Panchayat

Ambroli Gram Panchayat is at a distance of 8 km from Bhadrak and falls under Bhadrak block. The Panchayat has 1466 household and approximately 5000 population. The Panchayat has 24.1 percent SC and 13.8 percent ST population. The Panchayat has two revenue villages; Ambroli and Talanga. Talanga has more population than Ambroli (12 percent). Agriculture and wage labor are the primary occupation of the villagers. 70 percent land in both the villages is cultivable land and both the villages are irrigated by canal irrigation. The Panchayat has two middle schools, one in each village and a high school in Talanga. The nearest college is situated at Bhadrak. Anganwadi Centers (AWCs) are present in both the villages. The Panchayat has a health centre, and one Auxiliary Nurse Mid-wife and two ASHA workers are posted for health services. Tube well is the main source of drinking water. Wells and Ponds are also available in the Panchayat. The Panchayat is well connected with Bhadrak. Both the villages are electrified and have communication facilities. The Sarpanch seat is reserved for ST woman.

#### Sabrang Gram Panchayat

Sabrang Gram Panchayat is at a distance of 21 km from Bhadrak. The Panchayat has four revenue villages; Sabrang, Goramati, Toranapada and Atto. The Panchayat has 1633 households with a population of approximately 8,800. 19.11 percent of the population belongs to SC while 0.79 percent are from ST. Tribes are not indigenous to the gram Panchayat rather are migrant laborer. About 10 percent of the households are Muslim located in main village. Agriculture is the primary occupation of people and majority of them are marginal farmers. AWCs are present in all villages. The Panchayat has adequate education facility and has a high school at Sabrang. For higher education the people depend on a college in a neighboring village. Health care facilities like Sub-centers, additional PHC, private clinic, homeopathic clinic are present only at Sabrang village. The main village Sabrang is well connected by a road while others are not. All the villages are electrified and have communication facilities. The Sarpanch seat is reserved for SC woman.

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\(^1\) According to the National Council of Applied Economic Research, the known deposits of minerals in the district cannot by themselves sustain heavy mineral based industry.
Lanjigarh Road Gram Panchayat

Lanjigarh Road Gram Panchayat under Lanjigarh block is located at a distance of about 30 km from Bhawanipatna. There are 23 revenue villages in the Panchayat and are scattered. The Panchayat has 1579 households with a total population of about 5200. 24 percent of the population belongs to SC while 30.1 percent are from ST. Agriculture and wage labor (farm and non-farm) are the primary occupation of the villagers. The Panchayat is surrounded by hills and forests and is spread over a large area. Seasonal out-migration (January-April) is reported among the villagers during work shortage. AWCs and primary schools facilities are available in almost all the villages. There is a high school in Lanjigarh Road and for higher education people depend on block headquarter. Lanjigarh Road village has one sub-center, one CHC and 2 private health clinics and a government veterinary clinic. Other villages in the Panchayat do not have health care facilities. ASHAs and ANM are employed in villages and ANM covers few villages only. Tube well is the prime source of water in the villages. Most of the villages in Panchayat are not electrified and lack communication facilities. The Panchayat is well connected, but other villages do not have all weather road. The Sarpanch seat is reserved for ST.

Gunduri Gram Panchayat

Gunduri Gram Panchayat is located at a distance of 25 km from Bhawanipatna. There are 42 revenue villages in the Panchayat. The Panchayat has 1093 households and a population of approximately 4600. A very high percentage of the total population is tribal (68.69 percent). Scheduled Castes population is about 29.01 percent of the total population. The study covered Gunduri and Kerkata in the gram Panchayat. Gunduri has 111 households while Kerkata has only 24 households reflect the inequality of population distribution among the villages of Gunduri gram Panchayat. Agriculture is the primary occupation of the villagers and the cultivable lands are canal irrigated (almost 70 percent). Seasonal out-migration (May-June) is observed among the villagers during work shortage. Educational facilities from AWCs to Middle Schools are available in most of the villages; but for higher secondary education the students rely on district headquarter. ANM and ASHA workers are posted in majority of the villages. The Panchayat has no health centers. For health facilities people depend on neighboring Panchayat and district headquarter. Tube well is the major source of drinking water in the Panchayat. The villages are connected with bus services. All the villages in the Panchayat are not electrified and in general communication facility is poor. Gunduri has a post office. Nearest market place is 7 km away and opens twice a week. Sarpanch post is presently reserved for ST.

2.5 Policy Context of the SHG

Emergence of SHG in India

SHGs emergence in India was a result of both governmental and non-governmental (NGO) initiatives in the mid-eighties and early nineties. It incorporated lessons from the microfinance movement in Bangladesh and similar participatory development programs in India. MYRADA (one of the leading NGO in India) was one of the first organizations that initiated SHGs to address credit needs of the people.

The self-help group (SHG)-bank linkage program of the National Bank for Agriculture and Rural Development (NABARD) accelerated the growth of the SHG / microfinance movement in India in the latter half of the Nineties. NABARD launched a support program for NGOs in late 80’s to support formation and strengthening of SHGs based on their experience of assisting MYRADA on a pilot basis. The RBI based on the efforts of NABARD accepted SHG as another medium for ensuring rural credit. In 1992, NABARD issued guidelines for the SHG Bank linkage program that provided necessary framework for banks to provide credit support to SHGs. NABARD
launched a two-year pilot project to link 500 SHGs to the bank and the SHG bank linkage program grew steadily in 90’s.

The organizations working in the SHG sector started advocating on various critical issues to policy makers at the central and state levels, the Reserve Bank of India (RBI), national commissions and committees. In 1999, NABARD formed a task force to bring out the conceptual policy framework encompassing issues in policy, regulation, financing and capacity building for the sustainable growth of microfinance in the country. Based on these efforts the central Government adopted SHG as a strategy for improving credit access and building productive assets in its Annual Plan 2001. Later in 2002, the Association of Microfinance Institutions in India, Sa-Dhan, represented the sector in the RBI informal group on funding issues and in the same year, Sa-Dhan was a part of the Empowered Committee housed under the Ministry of Finance formed by the Prime Minister’s Office to study various aspects of microfinance in India. In 2004, the Vyas Committee on “flow of credit to agriculture” formed by RBI also assessed the role of SHG and micro finance institution (mFIs) in credit delivery to the poor. The committee reported that the number of SHGs was growing at a rate of approximately 20 percent annually. It was estimated that if this rate continues for another five years, the microfinance initiatives can potentially reach to almost 75 percent of the total poor households (80 million).

As on March 2006, the SHG bank linkage program is the largest in the world and out of estimated 2.23 million SHGs (estimate by NABARD reports about 3 million SHGs) almost 50 percent were reported to have bank linkages. The estimated number of households covered under the program (end of March 2006) is reported to be about 32.38 million poor families.

With increase in number of SHGs and development of the microfinance sector, strong requirements were felt to recognize and regulate the role of micro finance institutions in the country. The Government of India acknowledged the role of mFIs in financial intermediation and in the Union Budget 2005 (UN International Year of Micro credit), it has accorded ‘banking correspondent’ status to mFIs and strengthened the National Microfinance Fund under NABARD with an incremental corpus of Rs.1 billion and re-designated it as the Microfinance Development Equity Fund. In May 2005, the Annual Credit Policy Statement RBI 2005-06 also mentioned the financial intermediation role played by mFIs. These are all clear indications of the changes that are happening in the policy regime towards microfinance and microfinance institutions.

One of the important objectives of the nationalization of banks in 1969 was to ensure credit delivery to the rural and informal sector. Even though almost 500 banks including 47 commercial banks, 124 regional rural banks (RRBs) and 330 cooperative banks and 3024 NGO/others are now actively involved in microfinance (Economic Survey 2005-06), the sector needs more credit support and related assistance.

During the last three years, many Indian and foreign banks have intervened in the microfinance sector with innovative downscaling strategies. In the absence of enough rated microfinance companies who could act as mass retailers of micro credit, commercial banks depend on NGOs and mFIs as their sales agents through partnership models and securitization. Currently ICICI Bank, ABN Amro, UTI Bank and HDFC Bank use such innovations for credit delivery to the sector. ICICI Bank is the first commercial bank to enter the micro credit market and the share of the bank in total disbursement by the end of fiscal 2004-05 is estimated to be close to 40 per cent.

However, in spite of these advantages, microfinance outreach in the country is insufficient, geographically limited and not formally organized. While the cumulative disbursement under all microfinance programs is over Rs.50 billion, the annual outstanding of all microfinance initiatives in India is estimated at around Rs.16 billion for the financial year 2003-04, a minuscule figure given the annual demand. On the other hand, geographically speaking, 70 per cent of the Indian
microfinance sector is skewed towards the southern states of Andhra Pradesh, Karnataka, Tamil Nadu and Kerala.

**SHG and Micro-finance sector in Orissa**

NGOs working at the grass root level in Orissa were influenced by the SHG movement and started their initiatives in 90’s. The initial movement was primarily focused to encourage women to form SHG for improving saving habit and meet loan requirement of members. The bank linkages for the SHGs were tried much later. In places where women could not or did not had cash to save, the groups were encouraged to save some rice each day (“fistful of rice”), which at the end of the month was sold and the cash was deposited with the group.

The growth of SHG sector in Orissa started with NABARD initiatives, which was later consolidated by large civil society organization such as PREM, PRADAN, VIKAS, Gram Uthan, CYSD and BISWA lately, and host of other mFIs that emerged during last 10 years. PREM (one of the large NGO) operating in southern part of Orissa was one of the organizations involved in NABARAD pilot program in 1992, and organized 829 SHGs and mobilized Rs. 1.9 million of thrift and disbursed credit of same amount. The CARE-CASHE project also had a significant role in encouraging and providing support to NGOs to adopt SHG strategy. By 2000, the SHG movement in Orissa was established and various donors and State Government started their own programs. IFAD supported to form SHG in Kalahandi in 1999 and State Government Mission Shakti program was launched in 2001.

Among the Self Help Promotional Institutions (SHPI) in Orissa, the role of banks in particular Regional Rural Banks (RRBs) is enormous due to their extensive network of rural branches.

There are no accurate estimates available regarding the number of SHGs formed in the State. However, it is estimated that number of SHGs with bank linkages was 77,588 (NABARD) in 2004, which is reported to have increased to 123,256 in 2005. Orissa ranked fourth in these two years on the basis of SHGs who have accessed bank loans. It is reported that Orissa has highest number of SHGs in the eastern India.

The microfinance sector in Orissa has been given further boost by the Government by launching Mission Shakti program (March 2001). As part of their commitment, the state Government established Mission Shakti, an umbrella body for providing institutional support and facilitating access to credit and micro-finance under the Women and Child Development Department. Mission Shakti in collaboration with CARE (India) has prepared “Empowered Women – A Vision Document for Micro-finance in Orissa” which was released in June 2005. According to estimates of Mission Shakti, the total number of SHGs formed by end of March 2006 is 0.19 million, with 2.4 million members having a saving of Rs.1.7 billion with total credit linkage of Rs. 4.8 billion by bank\(^2\). The enactment of Orissa Self Help Cooperative Act 2001 that provides legal status to SHGs and provides a legal framework for SHG federation and cooperative has also contributed in promoting microfinance activities in the state.

Federations of SHGs have also evolved in 16 districts and emphasis is being laid on establishing federations in the rest of the 14 districts. These federations essentially function as intermediaries for accessing bank credit and, in some cases, for bulk procurement and marketing. Nearly 50% of women’s SHGs have been linked to banks and approximately Rs. 110 million has been advanced as credit to these groups.

Though there appears to be adequate financing available for SHGs, many SHGs (and other economic organizations of the poor such as common interest groups, farmers’ organizations, etc.) have difficulty in accessing these resources because they lack voice, confidence, basic

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2 All SHGs in Orissa are reorganized / registered with Mission Shakti Program
administrative skills and capacity (e.g. functional literacy, book-keeping, etc.) and capability in negotiating with and accessing support from rural banks and local bureaucrats. Many SHGs are not even able to manage regular saving and credit functions that would enable them to meet the graduation criteria of NABARD.

**Progress of SHG in the State**

There are no accurate estimates available regarding the number of SHGs in Orissa. According to Mission Shakti the total number of SHGs in the State is 0.19 million by end of March 2006. According to the estimate of APMAS, the number of SHGs covered under the bank linkage program in Orissa is 0.23 million as on 31st March 2007. This is approximately 8 percent of the total number of SHG provided loan in India (2.9 million). This estimate suggests that the total number of SHGs in Orissa would be significantly higher than this figure. The cumulative bank loan to SHGs in Orissa at the end of March 2007 stands at 8.03 billion Rupees, which is approximately 4.5 percent of the total loan by Bank to SHGs in India (Rs. 180.4 billion).

NABARD estimated that Regional Rural Banks (RRBs) have supported 56 percent of the SHG, 11 percent have received support from District Central Cooperative Banks (DCCBs) and rest have been supported by commercial bank (2004). In contrast the support by Commercial bank was highest (58 percent) at the national level followed by 33 percent by the RRBs.

**2.6 Institutional context of Orissa**

**2.6.1 Institutional Landscape**

The institutional landscape in Orissa is complex and a range of institutions performing important role in livelihoods and service delivery can be found in each location. Table 1 provides a summary of institutional landscape for the four study sites.

<table>
<thead>
<tr>
<th>Category</th>
<th>Village Level Institutions / Organizations</th>
<th>Ambroli, Bhadrak</th>
<th>Sabrang, Bhadrak</th>
<th>Lanjigarh Road, Kalahandi</th>
<th>Gunduri, Kalahandi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Sector</td>
<td>Gram Panchayat</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>Revenue Department (RI, Amin)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>Veterinary (Livestock Inspector)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>Rural Health Institutions (PHC/ Dispensary, Sub-centre, ANM, ASHA)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>Women and Child-Welfare (AWW / ICDS)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>Forest (Forest Guard, Forester)</td>
<td></td>
<td></td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>Civil Supplies (PDS)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>Cooperative Society</td>
<td>Y</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>School</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Private Sector</td>
<td>Regional Rural Bank</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>MFIs / Federation / Credit Cooperative</td>
<td></td>
<td>Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>NGO</td>
<td></td>
<td>Y</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>People Sector</td>
<td>Water Users Association (Pani Panchayat)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>Self Help Groups (SHGs)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>Village Education Committee</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>Forest Protection Committee (VSS / JFMC / CFM)</td>
<td></td>
<td></td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Farmer’s Club</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Producer Groups</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Watershed Committee</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Youth Organization / Club</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>Religious Organization / Groups</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>Political Party Network</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
</tbody>
</table>

*Source: MRI Study 2007 / Sutra*

Much of these institutions are Government promoted and public service delivery organizations. Along with these public and Government organizations are organizations created by community
or people institutions. These are largely informal social, religious and recreational institutions that have traditionally existed in rural areas. Political association or groups has emerged as another important rural institution as a result of a deepening political process through Panchayati Raj Institutions. It is evident from the institutional landscape that public sector institutions performing various administrative functions for the line department are similar in both the locations. Watershed committees are observed only in Kalahandi as a result of Government strategy for addressing occurrence of regular drought in western Orissa (Kalahandi) by promoting watershed activities through district watershed mission. Forest protection committee or VSS at the village level are also commonly found in Kalahandi since significant area of the district is covered under forest.

The functions and activities of institutions observed in case study locations are summarized below in Table 2.

<table>
<thead>
<tr>
<th>Village Level Institutions / Organizations</th>
<th>Key Function and Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gram Panchayat</td>
<td>Local Governance, Development Planning and Implementation</td>
</tr>
<tr>
<td>Revenue Department (RI, Amin)</td>
<td>Land and water revenue collection</td>
</tr>
<tr>
<td>Veterinary (Livestock Inspector)</td>
<td>Rural Health care for Livestock, Promoting Livestock based livelihood</td>
</tr>
<tr>
<td>Rural Health Institutions (PHC, Sub-centre, ANM, ASHA)</td>
<td>Rural Health Services, Focus on Maternal, Child health and Nutrition</td>
</tr>
<tr>
<td>Women and Child Welfare (AWW / ICDS)</td>
<td>Rural Maternal and Child health care and nutrition, SHG Formation</td>
</tr>
<tr>
<td>Forest (Forest Guard, Forester)</td>
<td>Forest Conservation, Protection and Management</td>
</tr>
<tr>
<td>Civil Supplies (PDS)</td>
<td>Public Distribution System for Food grains and other essentials</td>
</tr>
<tr>
<td>Cooperative Society</td>
<td>Credit to farmers, Input Provision and Agriculture Support</td>
</tr>
<tr>
<td>School</td>
<td>Education</td>
</tr>
<tr>
<td>Regional Rural Bank</td>
<td>Credit to primary sector and farmers</td>
</tr>
<tr>
<td>MFIs / Federation / Credit Cooperative</td>
<td>Micro-credit to SHGs</td>
</tr>
<tr>
<td>NGO</td>
<td>Not for Profit village and social development organisation</td>
</tr>
<tr>
<td>Water Users Association (Pani Panchayat)</td>
<td>Management of irrigation system and distribution of water</td>
</tr>
<tr>
<td>Self Help Groups (SHGs)</td>
<td>Women savings and credit groups</td>
</tr>
<tr>
<td>Village Education Committee</td>
<td>Management of School and Education</td>
</tr>
<tr>
<td>Forest Protection Committee (VSS / JFMC / CFM)</td>
<td>Community group for protecting and regulating forest use</td>
</tr>
<tr>
<td>Producer Groups</td>
<td>Association of producers for production and marketing</td>
</tr>
<tr>
<td>Farmer’s Club</td>
<td>Common interest group of farmers for inputs and technology</td>
</tr>
<tr>
<td>Watershed Committee</td>
<td>Community group for land and water management for livelihoods</td>
</tr>
<tr>
<td>Youth Organization / Club</td>
<td>Youth groups for recreational, development and collective action</td>
</tr>
<tr>
<td>Religious Organization / Groups</td>
<td>Faith based groups for organising religious activities</td>
</tr>
<tr>
<td>Political Party Network</td>
<td>Political party organisation for expanding party presence</td>
</tr>
</tbody>
</table>

Source: MRI Study 2007 / Sutra

### 2.6.2 Formal and Informal Institutions

The rural institutions in Orissa can be broadly categorized as public and private on the basis of its promoters. All the public sector institutions are formal institutions with clearly defined structure, organizational rule and administratrive link with higher level structure of the department. Similarly, private sector organizations are formal institutions with well defined institutional parameters. In comparison community based institutions comprise of both formal and informal institutions that have been either formed under Government sponsorship or have traditionally existed at the community level. Pani Panchayat, Village Education Committee, Forest Protection Committee (except for Community Forest Management groups) and watershed committee are institutions created under Government program, while religious groups and youth organization have evolved over a period of time.

### 2.6.3 Institutional Linkages

**Ambroli, Bhadrak**

It is evident from the institutional map of the site that the Gram Panchayat and the Political Party institution are the central institutions with maximum institutional ties with other rural institutions. The institutional characteristics of these two rural institutions are similar to the extent that they have foundation in the prevailing political system at the local level. While the Gram Panchayat...
has the constitutional mandate for village governance, the political party institution lack legal legitimacy though draws its power for local governance within the prevailing political power structure. In Ambroli the Gram Panchayat leaders belong to the same political party as that of powerful local political party institutions and can be interpreted as the same institution even though they seem to have distinct identity. The institutional linkages among various rural institutions in the study location Ambroli, Bhadrak is presented below.

There are number of Self Help Groups of women (focal institutions) in Ambroli Gram Panchayat both in main and dependent village. The case study covered two SHGs in the main village (MV) and one SHG in the satellite village (SV). The pattern of institutional linkage of SHG is similar and is linked to Gram Panchayat, Political Party institutions, bank, anganwadi centre and with other SHGs. Link with Pani Panchayat is observed in only one case.

The Pani Panchayats has links with the local political party institution, Primary Agriculture Cooperative society and revenue inspector.

Among the public sector institutions, Anganwadi centre, rural health institution, PACS and Revenue inspector seem to have strong links with other RIs. The livestock inspector have poor institutional link with other rural institutions as they do not depend on outside resources and support for their service delivery.

The religious groups and youth club provide religious and recreational services respectively for their members and have limited institutional linkage. The religious groups are mostly for organizing religious festivals or prayer groups (commonly found in various hamlets). The women self help groups are commonly found in both the main and the satellite village and have links with Gram Panchayat, Bank and Anganwadi Centre for information and resources.

**Sabrang, Bhadrak**

The institutional linkages among various rural institutions in the study location Sabrang, Bhadrak is presented below. The institutional landscape of Sabrang is quite complex with presence of large number of rural institutions and their inter linkages. SHGs are quite common and are
present in almost all the hamlets. Similarly, religious groups, Anganwadi centre, village education committee are present in all the four villages.

The women self help groups are commonly found in both the main and the satellite village and have links with various institutions including Gram Panchayat, Bank and Anganwadi Centre. The SHGs in the main village seem to have better institutional ties with other institutions as compared to SHGs in the satellite villages. The NGOs operating in the Panchayat has institutional link with SHGs promoted by them.

It is evident from the institutional map of Sabrang that the Gram Panchayat and the Political Party institution are the central institutions with maximum institutional ties with other rural institutions similar to Ambroli, Bhadrak. The local political institution in Sabrang has direct links with most of the people sector institutions while the Gram Panchayat has institutional links with most of the public sector institutions. Between the two the political party institution is dominant since the Sarpanch (reserved for woman SC candidate) is a nominated candidate and acts as a proxy for the political party. The local political party institutions maintain its influence on public service delivery organization through Gram Panchayat.

Among the public sector institutions, Anganwadi centre, rural health institution, PACS and revenue inspector seem to have strong links with other RIs. Unlike Ambroli, the livestock inspector has institutional link with OMFED society (milk producers) and SHGs who have undertaken dairy activities and provide veterinary services to these institutions.

The OMFED society which is a producer group for milk supply has strong institutional link with SHGs and the SHG federation since most of the members of the society are SHG members. In contrast the Kumbhkar Samiti (producer group of potters) has no institutional link with any other institutions. The religious groups, youth club and police outpost has limited association with other institutions at the village level as they provide services to select membership.

The Pani Panchayats have linkages with the local political party institution, Primary Agriculture Cooperative society and bank. The minor flow Pani Panchayat has link with the local revenue inspector for providing information and support related to canal land.
Lanjigarh Road, Kalahandi

The institutional linkages among various rural institutions in Lanjigarh Road, Kalahandi is presented below.

The institutional landscape is somewhat similar to that of Bhadrak with most of the public service delivery institutions present. However, Watershed committee, fisheries committee and Vana Samrakshan Samiti (JFMC) are additional institutions existing in Lanjigarh Road.

It is evident from the institutional map of the site that the Gram Panchayat is the central institution with institutional linkages with majority of other rural institutions. Most of these other linked rural institutions are primarily public service delivery organization at the village level since Gram Panchayat is responsible for local governance of public services. Political party institution is equally powerful at the case sites and have institutional links with user groups and other people institutions, but not as dominant as in Bhadrak.

The women self help groups are common but have lower presence in Lanjigarh Road and have links with NGO, Gram Panchayat, Watershed committee, Bank and Anganwadi Centre for information and resources.

Pani Panchayat exists in the dependent village and has institutional link with only political party institution, revenue inspector and bank. The institutional linkage of public service organization is similar to other study sites and is linked to Gram Panchayat in all cases.

Anganwadi centre and rural health institutions among public sector institutions are prominently linked to other RIs and in particular to women SHGs. The livestock inspector has institutional link with only SHGs.

Fisheries committee, Vana Samrakshan Samiti, Religious groups, watershed committee and post office have limited institutional linkages with other RIs.
Gunduri, Kalahandi

The institutional landscape and linkages among various rural institutions is similar to Lanjigarh Road. Gram Panchayat is the most prominent institution for village governance and has clear linkages with public sector institutions operating at the Panchayat level.

The political party institution though powerful is lower in power hierarchy as compared to Gram Panchayat. It is well connected with local SHGs and provides information and support and has helped them through Gram Panchayat in allotment of PDS and MDM schemes.

The institutional linkages among various rural institutions in Gunduri, Kalahandi is presented below.

The SHGs are quite well connected with various service delivery organizations as they are involved in implementation of various schemes. The Pani Panchayat has similar institutional linkages as in other sites; while VSS, Fisheries committee and livestock inspector has linkage with select few.

Comparison of Institutional Linkage of SHG at four locations

The institutional linkage of SHG with other rural institutions is somewhat different in the four locations. However, the linkage with Gram Panchayat, Bank, Rural Health Institutions and promoting institution such as NGO, ICDS and Watershed committee is commonly observed.

Linkage with Block level office and local political party system is observed in Bhadrak. Role of other village level actors is also prominent in Bhadrak. The SHGs in Kalahandi is linked with lesser number of rural institutions. Detailed discussion on institutional linkage of Self Help Groups is provided in Section 3.7.3.

2.6.4 Membership and Leadership Pattern in Rural Institutions

Relationship between Membership of RI and Social Group

The membership and leadership pattern in rural institutions was mapped in the four sites. In one of the site in each district the mapping was done in the main village (Ambroli in Bhadrak and
Gunduri in Kalahandi) while in the other a dependent village was covered (Goramati, Sabrang in Bhadrak and Kidding, Lanjigarh Road in Kalahandi).

The membership pattern of households in the four sites is presented in Table 3.

<table>
<thead>
<tr>
<th>Study Sites</th>
<th>HH Membership in RI</th>
<th>SC</th>
<th>ST</th>
<th>OBC</th>
<th>Gen</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of HH</td>
<td>30.3%</td>
<td>18.3%</td>
<td>27.3%</td>
<td>24.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% of HH not Member in any RI</td>
<td>38.4%</td>
<td>90.6%</td>
<td>58.7%</td>
<td>37.3%</td>
<td>53.2%</td>
</tr>
<tr>
<td></td>
<td>% of HH Member in one RI</td>
<td>30.2%</td>
<td>8.3%</td>
<td>20.3%</td>
<td>34.9%</td>
<td>24.6%</td>
</tr>
<tr>
<td></td>
<td>% of HH Member in two RI</td>
<td>15.1%</td>
<td>1.0%</td>
<td>15.4%</td>
<td>18.3%</td>
<td>13.4%</td>
</tr>
<tr>
<td></td>
<td>% of HH Member in three or more RI</td>
<td>16.4%</td>
<td>0.0%</td>
<td>5.6%</td>
<td>9.5%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Ambroli</td>
<td>% of HH</td>
<td>46.9%</td>
<td>0.4%</td>
<td>39.3%</td>
<td>13.4%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% of HH not Member in any RI</td>
<td>49.8%</td>
<td>100.0%</td>
<td>40.0%</td>
<td>44.4%</td>
<td>45.4%</td>
</tr>
<tr>
<td></td>
<td>% of HH Member in one RI</td>
<td>40.7%</td>
<td>0.0%</td>
<td>40.0%</td>
<td>38.1%</td>
<td>39.9%</td>
</tr>
<tr>
<td></td>
<td>% of HH Member in two RI</td>
<td>7.7%</td>
<td>0.0%</td>
<td>12.4%</td>
<td>14.3%</td>
<td>10.4%</td>
</tr>
<tr>
<td></td>
<td>% of HH Member in three or more RI</td>
<td>1.8%</td>
<td>0.0%</td>
<td>7.6%</td>
<td>3.2%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Goramati, Sabrang</td>
<td>% of HH</td>
<td>14.6%</td>
<td>55.7%</td>
<td>28.6%</td>
<td>1.1%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% of HH not Member in any RI</td>
<td>49.8%</td>
<td>100.0%</td>
<td>40.0%</td>
<td>44.4%</td>
<td>45.4%</td>
</tr>
<tr>
<td></td>
<td>% of HH Member in one RI</td>
<td>40.7%</td>
<td>0.0%</td>
<td>40.0%</td>
<td>38.1%</td>
<td>39.9%</td>
</tr>
<tr>
<td></td>
<td>% of HH Member in two RI</td>
<td>7.7%</td>
<td>0.0%</td>
<td>12.4%</td>
<td>14.3%</td>
<td>10.4%</td>
</tr>
<tr>
<td></td>
<td>% of HH Member in three or more RI</td>
<td>1.8%</td>
<td>0.0%</td>
<td>7.6%</td>
<td>3.2%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Kidding, Lanjigarh Road</td>
<td>% of HH</td>
<td>29.6%</td>
<td>30.1%</td>
<td>32.1%</td>
<td>0.0%</td>
<td>30.3%</td>
</tr>
<tr>
<td></td>
<td>% of HH not Member in any RI</td>
<td>44.4%</td>
<td>33.0%</td>
<td>37.7%</td>
<td>50.0%</td>
<td>36.2%</td>
</tr>
<tr>
<td></td>
<td>% of HH Member in one RI</td>
<td>25.9%</td>
<td>25.2%</td>
<td>20.8%</td>
<td>50.0%</td>
<td>24.3%</td>
</tr>
<tr>
<td></td>
<td>% of HH Member in two RI</td>
<td>0.0%</td>
<td>11.7%</td>
<td>9.4%</td>
<td>0.0%</td>
<td>9.2%</td>
</tr>
<tr>
<td></td>
<td>% of HH Member in three or more RI</td>
<td>0.0%</td>
<td>0.0%</td>
<td>2.9%</td>
<td>NA</td>
<td>0.9%</td>
</tr>
<tr>
<td>Gunduri</td>
<td>% of HH</td>
<td>17.0%</td>
<td>52.7%</td>
<td>30.4%</td>
<td>0.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>% of HH not Member in any RI</td>
<td>63.2%</td>
<td>37.3%</td>
<td>47.1%</td>
<td>NA</td>
<td>44.6%</td>
</tr>
<tr>
<td></td>
<td>% of HH Member in one RI</td>
<td>36.8%</td>
<td>54.2%</td>
<td>41.2%</td>
<td>NA</td>
<td>47.3%</td>
</tr>
<tr>
<td></td>
<td>% of HH Member in two RI</td>
<td>0.0%</td>
<td>8.5%</td>
<td>8.8%</td>
<td>NA</td>
<td>7.1%</td>
</tr>
<tr>
<td></td>
<td>% of HH Member in three or more RI</td>
<td>0.0%</td>
<td>0.0%</td>
<td>2.9%</td>
<td>NA</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

The percentage of households belonging to Scheduled Caste (SC) is highest in sites at Bhadrak followed by Other Backward Class (OBC) and General category. In contrast, percentage of ST households is highest in Kalahandi followed by OBC and SC category households.

At Ambroli, the households from General and SC categories have better membership in RI. In Goramati, a higher percentage of OBC and General household are members of rural institutions. Majority of the ST households in the two sites at Bhadrak are not members of rural institutions. The tribal population in these two sites are not indigenous to the location but have settled in the village. Membership of more than one rural institution is relatively higher among General and SC categories households in Ambroli while in Goramati it was found to be higher among General and OBC households.

ST households in main village of Gunduri Panchyat have better membership of rural institutions than ST households in Kidding, one of the dependent villages in Lanjigarh Road. However, household membership in more than one RI is higher among ST in Kidding as compared to Gunduri (OBC is highest).

**Relationship between Membership of RI and Wealth Group**

A wealth grouping PRA exercise was undertaken at the four sites and the households were grouped in four categories by the community. Analysis of household membership of rural institutions across wealth group is presented below in Table 4.

It is evident that across sites the percentage of households who are not member of any rural institution is highest for Poorest of the Poor category. It seems that poorest of the poor in the main village are more likely to have poor membership of rural institutions than as compared to dependent village. This could be as a result of stiff competition by better endowed households to hold positions in rural institutions that are located more in the main village of Panchayat than...
dependent village. It is also evident from the summary table that households from rich category have better membership of one or more rural institutions.

<table>
<thead>
<tr>
<th>Study Sites</th>
<th>% of HH Membership in RI</th>
<th>% of HH not Member in any RI</th>
<th>% of HH Member in one RI</th>
<th>% of HH Member in two RI</th>
<th>% of HH Member in three or more RI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambroli</td>
<td>41.0%</td>
<td>34.2%</td>
<td>15.5%</td>
<td>9.4%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Goramati, Sabrang</td>
<td>44.8%</td>
<td>29.9%</td>
<td>20.2%</td>
<td>5.1%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Kidding, Lanjigarh Road</td>
<td>50.2%</td>
<td>39.0%</td>
<td>44.2%</td>
<td>45.8%</td>
<td>45.4%</td>
</tr>
<tr>
<td>Gunduri</td>
<td>61.1%</td>
<td>29.7%</td>
<td>8.6%</td>
<td>0.5%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Table 4: Membership Pattern in Rural Institution by Wealth Group

<table>
<thead>
<tr>
<th>Study Sites</th>
<th>% of HH Membership in RI</th>
<th>% of HH not Member in any RI</th>
<th>% of HH Member in one RI</th>
<th>% of HH Member in two RI</th>
<th>% of HH Member in three or more RI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambroli</td>
<td>41.0%</td>
<td>34.2%</td>
<td>15.5%</td>
<td>9.4%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Goramati, Sabrang</td>
<td>44.8%</td>
<td>29.9%</td>
<td>20.2%</td>
<td>5.1%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Kidding, Lanjigarh Road</td>
<td>50.2%</td>
<td>39.0%</td>
<td>44.2%</td>
<td>45.8%</td>
<td>45.4%</td>
</tr>
<tr>
<td>Gunduri</td>
<td>61.1%</td>
<td>29.7%</td>
<td>8.6%</td>
<td>0.5%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Table 5 summarizes the correlation between household land holding (the most dominant rural capital) and membership of rural institutions. Across sites the average land holding of households who are not member of any rural institution is less than the average of all household in the village. It can also be observed that average land holding increases with increasing household membership in rural institution, clearly indicating that households that are economically better and well endowed are likely to take membership of more than one rural institution.

<table>
<thead>
<tr>
<th>Study Sites</th>
<th>Membership in Rural Institutions</th>
<th>All HH</th>
<th>Leaders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambroli</td>
<td>0.42 1.66 1.78 1.90 3.42 4.33</td>
<td>1.09</td>
<td>2.95</td>
</tr>
<tr>
<td>Goramati, Sabrang</td>
<td>0.72 1.02 0.86 1.11 1.01 4.00</td>
<td>0.88</td>
<td>0.81</td>
</tr>
<tr>
<td>Kidding, Lanjigarh Road</td>
<td>0.55 0.49 0.83 1.14 1.10 1.00</td>
<td>0.65</td>
<td>0.59</td>
</tr>
<tr>
<td>Gunduri</td>
<td>0.84 1.09 1.54 2.00</td>
<td>1.02</td>
<td>1.68</td>
</tr>
</tbody>
</table>

Table 5: Membership Pattern in Rural Institution by Mean HH Agriculture Land Holding (Acre)

The average land holding of households belonging to leaders of rural institution is more than average of all household in the main villages and is marginally lower in case of dependent village. This indicates that well-off households are likely to acquire leadership of rural institutions in the main village of Panchayat.

**Relationship between Leadership in RI and Social and Wealth Group**

Table 6 provides an analysis of households where members of the household have become leaders of rural institutions.

It is evident that in dependent villages the SC and OBC communities have proportionately more leaders of rural institution as compared to their household percentage in the village. In Ambroli the leaders of rural institutions are proportionately more from general category.
Table 6: Leadership Pattern in Rural Institution by Social Group

<table>
<thead>
<tr>
<th>Study Sites</th>
<th>Leaders of RI</th>
<th>SC</th>
<th>ST</th>
<th>OBC</th>
<th>Gen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambroli</td>
<td>% of HH</td>
<td>30.3%</td>
<td>18.3%</td>
<td>27.3%</td>
<td>24.0%</td>
</tr>
<tr>
<td></td>
<td>% of HH where Member is Leader in any RI</td>
<td>32.4%</td>
<td>8.8%</td>
<td>26.5%</td>
<td>32.4%</td>
</tr>
<tr>
<td>Goramati, Sabrang</td>
<td>% of HH</td>
<td>46.9%</td>
<td>0.4%</td>
<td>39.3%</td>
<td>13.4%</td>
</tr>
<tr>
<td></td>
<td>% of HH where Member is Leader in any RI</td>
<td>53.8%</td>
<td>0.0%</td>
<td>38.5%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Kidding, Lanjigarh Road</td>
<td>% of HH</td>
<td>14.6%</td>
<td>55.7%</td>
<td>28.6%</td>
<td>1.1%</td>
</tr>
<tr>
<td></td>
<td>% of HH where Member is Leader in any RI</td>
<td>15.4%</td>
<td>50.0%</td>
<td>34.6%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Gunduri</td>
<td>% of HH</td>
<td>17.0%</td>
<td>52.7%</td>
<td>30.4%</td>
<td>0.0%</td>
</tr>
<tr>
<td></td>
<td>% of HH where Member is Leader in any RI</td>
<td>14.3%</td>
<td>57.1%</td>
<td>28.6%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Source: MRI Study 2007 / Sutra

It is evident from Table 7 that the rich and the better off in the villages hold proportionately more leadership position in rural institutions than poor and poorest of the poor.

Table 7: Leadership Pattern in Rural Institution by Wealth Group

<table>
<thead>
<tr>
<th>Study Sites</th>
<th>Leaders of RI</th>
<th>Poorest of the Poor</th>
<th>Poor</th>
<th>Average</th>
<th>Rich</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambroli</td>
<td>% of HH</td>
<td>41.0%</td>
<td>34.2%</td>
<td>15.5%</td>
<td>9.4%</td>
</tr>
<tr>
<td></td>
<td>% of HH where Member is Leader in any RI</td>
<td>14.7%</td>
<td>29.4%</td>
<td>38.2%</td>
<td>17.6%</td>
</tr>
<tr>
<td>Goramati, Sabrang</td>
<td>% of HH</td>
<td>44.8%</td>
<td>29.9%</td>
<td>20.2%</td>
<td>5.1%</td>
</tr>
<tr>
<td></td>
<td>% of HH where Member is Leader in any RI</td>
<td>30.8%</td>
<td>28.8%</td>
<td>32.7%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Kidding, Lanjigarh Road</td>
<td>% of HH</td>
<td>61.1%</td>
<td>29.7%</td>
<td>8.6%</td>
<td>0.5%</td>
</tr>
<tr>
<td></td>
<td>% of HH where Member is Leader in any RI</td>
<td>50.0%</td>
<td>34.6%</td>
<td>11.5%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Gunduri</td>
<td>% of HH</td>
<td>5.4%</td>
<td>84.8%</td>
<td>1.8%</td>
<td>8.0%</td>
</tr>
<tr>
<td></td>
<td>% of HH where Member is Leader in any RI</td>
<td>7.1%</td>
<td>50.0%</td>
<td>0.0%</td>
<td>42.9%</td>
</tr>
</tbody>
</table>

Source: MRI Study 2007 / Sutra

Membership in multiple Rural Institutions

In Ambroli, households with membership in two rural institutions are likely to be members of PACS and PP or PACS and SHG. Households with members in three RI are members in PACS, PP and SHG or PACS, SHG and Religious groups. Households associated with four or more RIs are associated with PACS, PP, SHG and other rural institution such as religious group. The village has few dominant families controlling rural institutions, for instance there are four households where family members are organizational leader in two RI and one household has members who are organizational leaders in three RI.

In Sabrang, households that are member of two rural institutions are likely to be members of SHG and PACS or PACS and PP or SHG and PP. Households in the village with membership in three or more RIs are members of SHG, PACS and other institutions.

In Kidding, Lanjigarh Road, 89 percent of the households with membership of two rural institutions are member in SHG. Among the households who are members of two RI, almost 42 percent of the households are member of SHG and Pani Panchayat while 44 percent of them are members of SHG and Fisheries Committee. Households with membership in three or more institutions are members of SHG and Pani Panchayat, Fisheries, Lamp and other institutions such as VEC/VSS/Watershed or religious groups. Only one household was observed to be organizational leader in two RI (wife in SHG and husband in Religious group).

In Gunduri, only eight households were found with membership in two RI and all of them are members of SHG. In four cases two members of the same household are involved in SHGs while in the rest another male household member is involved in watershed committee. Only one household in the village has membership with three different RI; SHG, VEC and Watershed.
Leadership in more than one RI is not common and only one HH was found where the head is a leader in Watershed committee and his wife one of the leader of Routpada SHG.

3. Institutional Characteristics and Processes

3.1 Organization of SHG

The self-help group (SHG) model is the dominant form of microfinance in India. The term self-help group is used in different countries to describe a variety of financial and nonfinancial associations. In India, it refers to a group of 10–20 poor women who band together for financial services - beginning with periodic, compulsory savings and then mainly loans, and occasionally providing social services. Self-help promotion institutions (SHPIs) such as NGOs, government agencies, banks, cooperatives and microfinance institutions have a vital role in promotion of SHGs. These institutions provide training, monitoring, and other support services to SHG besides providing support for group formation. Occasionally, promoting institution may provide SHGs with initial seed capital for lending to members, but more typically, groups begin by saving and later using the saving to lend to members. Most of the SHG eventually borrow from an external source, usually a bank. This bank linkage is the most distinctive characteristic of the Indian SHG model.

SHG activities in Orissa have significantly increased during the last decade. Majority of the SHGs covered during the study in KIalahandi and Bhadrak districts have emerged during this period. The launch of SGSY program in 1999 provided further boost to the micro-entrepreneurial activities and greater emphasis was given on formation of women SHGs and supporting economic activities of their choice. The Mission Shakti program of Government of Orissa has been promoting SHGs to economically and socially empower women in the state. The Anganwadi worker and helper working under the ICDS program are responsible for field implementation of the program and have been assigned with annual targets for formation of SHGs in their operational villages. The growth of SHGs has been primarily due to critical role played by self-help promoting institutions (SHPIs) such as NGOs, ICDS, Watershed Mission, Banks and Government. The major objective being to inculcate a habit of savings and credit activities among the rural poor women that can ultimately encourage them to initiate economic activities for improving income. To a certain extent SHGs are now seen as potential vote banks and this seems to be one of the reasons for promotion of SHGs in the state.

3.2 Description of SHGs at Case Sites

Table 8 below provides an overview of SHGs covered during the case study in two districts of Orissa.

<table>
<thead>
<tr>
<th>SHG, Village, Gram Panchayat</th>
<th>Promoting Institution</th>
<th>Year of Formation</th>
<th>Members</th>
<th>Location</th>
<th>Social Group</th>
<th>Economic Status</th>
<th>Saving Per Month</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mother Teresa, Ambroli NGO</td>
<td>1997</td>
<td>13 Same Hamlet</td>
<td>General</td>
<td>All BPL</td>
<td>20</td>
<td>3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gopal Jew, Ambroli Mission Shakti</td>
<td>2004</td>
<td>13 Same Hamlet</td>
<td>SC</td>
<td>All BPL</td>
<td>25</td>
<td>3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maa Mangla, Tahanga, Ambroli Mission Shakti</td>
<td>2005</td>
<td>11 Same Hamlet</td>
<td>SC</td>
<td>All BPL</td>
<td>20</td>
<td>3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maa Durgi, Nasiri, Sabrang NGO</td>
<td>2005</td>
<td>11 Same Hamlet</td>
<td>SC</td>
<td>All BPL</td>
<td>30</td>
<td>3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maa Santoshi, Sabrang NGO</td>
<td>2002</td>
<td>11 Same Hamlet</td>
<td>Mixed</td>
<td>BPL and APL</td>
<td>35</td>
<td>3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maa Saraswati, Goramati, Sabrang NGO</td>
<td>2005</td>
<td>12 Same Hamlet</td>
<td>SC</td>
<td>BPL and APL</td>
<td>20</td>
<td>3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nilakantheswari, Kerketa, Gundur NGO</td>
<td>2003</td>
<td>10 Same Hamlet</td>
<td>SC</td>
<td>All BPL</td>
<td>19</td>
<td>2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Routpada Mahila Mandal, Gundur Watershed Committee</td>
<td>2005</td>
<td>10 Same Hamlet</td>
<td>ST</td>
<td>All BPL</td>
<td>30</td>
<td>2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nilakantheswari Mahila Mandal, Gundur Mission Shakti</td>
<td>2005</td>
<td>12 Same Hamlet</td>
<td>ST</td>
<td>All BPL</td>
<td>20</td>
<td>2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maa Chand, Lanijang Road Mission Shakti</td>
<td>2005</td>
<td>10 Same Hamlet</td>
<td>SC</td>
<td>APL and HPL</td>
<td>20</td>
<td>2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maa Bharavi, Kisting, Lanijang Road Watershed Committee</td>
<td>2003</td>
<td>10 Same Hamlet</td>
<td>OBC and ST (1)</td>
<td>All BPL</td>
<td>40</td>
<td>2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maa Mualit SHG, Kisting, Lanijang Road Mission Shakti</td>
<td>2005</td>
<td>10 Sam Hamlet</td>
<td>ST</td>
<td>All BPL</td>
<td>40</td>
<td>2%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: MRI Study 2007 / Sutra

3.3 Legal Status of SHG

The SHGs covered during the study are informal groups and are not registered, which is similar to majority of the SHGs elsewhere in India. NABARD recommends the group to be informal with
members not exceeding 20 to ensure that group does not have to meet obligatory administrative and legal requirements of registration that would apply to groups larger than 20 members under the Indian Registration Act. However, most of the SHGs promoted by SHPIs have a bylaw, which describes management and governance of the group. Most of these bylaws are standard bylaws adopted by SHPIs for SHGs.

3.4 Formation and Growth of SHGs in the Study Sites

Role of SHPI for Promotion of SHGs

The Self Help Groups in the study sites have emerged during the last decade and is similar to proliferation of SHGs observed elsewhere in Orissa during the same period. The role of Self Help Promoting Institutions (SHPIs) is quite visible in promoting SHGs in the study locations. The SHGs have been promoted by SHPIs including NGOs, Anganwadi Worker of ICDS under Mission Shakti Program, bank (RRBs or DCCBs), Primary Agriculture Cooperative Society (PACS), District Watershed Project Directorate and Micro Finance Institutions (mFIs). These institutions in addition to helping with group formation have provided training, monitoring, and other support services to SHGs. The role of NGOs and bank seem to be more prominent in promotion of SHGs prior to the launch of the Mission Shakti program. However, after the launch of Mission Shakti the formation of SHGs has gained significant momentum and it is evident that majority of the SHGs recently formed have been promoted under this program. This has been largely due to presence of Anganwadi centre in almost all the villages. The Anganwadi workers and helpers under the ICDS program have been assigned with yearly targets for formation of SHGs in their operational village and it seems that they have provided full efforts in social mobilization for organizing SHGs.

The role of NGO in formation of SHGs seems to be more prominent in developed coastal sites in Bhadrak as compared to remote underdeveloped villages in Kalahandi. However, irrespective of the location, the role of NGOs in mobilizing SHGs prior to mission Shakti program is evident. The support provided by local NGO in formation and building institutional capacity of groups seems to be better in Bhadrak as compared to Kalahandi. The support from NGOs to SHGs has been withdrawn after the group has more or less stabilized their functioning in all the cases. Among other important SHPIs, the role of PACS and banks seems to be more prominent in formation of SHGs in Bhadrak while no such evidence was found in sites covered in Kalahandi. It seems that the presence of these institutions in rural areas is better in Bhadrak. In contrast, the District Watershed Mission (Directorate) in western Orissa seems to be playing an important role in promoting SHGs and providing necessary capacity development support. Irrespective of the location the AWW seems to be engaged in promoting SHGs; however it is felt that the support available to groups in Bhadrak is relatively better than to groups in Kalahandi.

Growth of SHGs in Study Location

The SHGs as institutions of women formed around thrift and credit activities in rural Orissa has significantly grown over the last few years. Majority of the SHGs in the study locations have been formed in recent years (2003-05). There are no accurate data available on growth rate and number of such institutions formed and operating. For instance the GP profile prepared by the Executive Officer of Gunduri Panchayat (comprising of 42 villages) in Kalahandi reports 15 SHGs (Nov’2007) while the household roster prepared for two village (Gunduri and Karkata) indicates presence of 7 SHGs in these two villages. It would be reasonable to assume that the

3 The actual number of SHGs could be still more since the respondents found often difficult to share membership of other household members. In fact in both the study location it was difficult to triangulate the exact number of SHGs operating.
actual number of SHGs formed could be significantly higher than what is officially reported. It would be also equally difficult to report the exact number of SHGs that are reasonably functional.

### Table 9: Growth of SHGs at Study Sites

<table>
<thead>
<tr>
<th>District</th>
<th>GP</th>
<th>Village</th>
<th>Description</th>
<th>No of Households in Village</th>
<th>No of SHGs</th>
<th>Indicative No of SHGs not reported in Roster</th>
<th>SHPIs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bhadrak</td>
<td>Ambroli</td>
<td>Ambroli Main Village in GP</td>
<td>524</td>
<td>14</td>
<td>9</td>
<td>NGO, Mission Shakti, PACS, Banks</td>
<td></td>
</tr>
<tr>
<td>Sabrang</td>
<td>Goramati</td>
<td>Independent Village in GP</td>
<td>471</td>
<td>25</td>
<td>3</td>
<td>NGO, Mission Shakti, PACS, Banks</td>
<td></td>
</tr>
<tr>
<td>Gunduri</td>
<td>Gunduri Main Village in GP</td>
<td>112</td>
<td>6</td>
<td>1</td>
<td>1</td>
<td>NGO, Mission Shakti, Watershed</td>
<td></td>
</tr>
<tr>
<td>Gunduri</td>
<td>Kerketa</td>
<td>Independent Village in GP</td>
<td>24</td>
<td>1</td>
<td>0</td>
<td>NGO, Mission Shakti, Watershed</td>
<td></td>
</tr>
<tr>
<td>Lanjigarh Road</td>
<td>Keding Independent Village in GP</td>
<td>185</td>
<td>8</td>
<td>2</td>
<td>2</td>
<td>NGO, Mission Shakti, Watershed</td>
<td></td>
</tr>
</tbody>
</table>

Source: MRI Study 2007 / Sutra

The Panchayats covered in Bhadrak have more number of SHGs than Kalahandi. However, villages in Bhadrak have higher population and relatively more developed than villages in Kalahandi. There seems to be a direct relationship between number of household in a village and number of SHGs formed. The SHPIs seems to have adopted a strategy to eventually include all women in a village under SHG (“saturation strategy”). The formation of SHGs in recent years has been mostly through Mission Shakti and the role of NGOs seems to have relatively reduced.

The role of NGOs in formation of SHGs few years back seems to be higher in Bhadrak as compared to Kalahandi, probably due to their better presence in accessible areas. In areas where the NGOs and CBOs have withdrawn their support, the AWW have taken responsibility of SHGs and have brought them under the fold of ICDS4. While this has been done for different reasons, but the SHGs seems to have benefited as a result.

The presence of SHG federated institutions or cooperative was found in two locations, Sabrang in Bhadrak and Lanjigarh Road in Kalahandi. The federated structures in both the location is created and supported by NGOs operating in that area.

### Role of Older SHGs

The success of older SHGs, both economic and non-economic outcomes has been one of the motivating factors for other women to form groups. For instance, the success of Mother Teresa SHG in Ambroli (first in the village) has influenced a large number of women to form SHGs in that village. However, the actual processes of forming groups including initial meeting and discussion, selection of members, bylaw (standard bylaw), organizational rules, record maintenance and opening of bank account has been facilitated by the AWW. The study did not find any evidence that older SHGs have helped and supported formation of other SHGs in the village. The evidence that these groups have persuaded and encouraged others to form group is also limited. However, the groups seem to have respondent adequately when called upon by others for advice.

### Role of other key Actors in formation of SHGs

The case sites indicate clearly a facilitating role by some of the other key actors in establishment of SHGs. Role of local political leaders including Panchayat representatives and Pani Panchayat leaders in encouraging and facilitating formation of SHGs seems to be prominent in case sites in Bhadrak. The political leaders and local politics seem to be very active in these Gram Panchayats influencing significantly the village affairs and leadership in various rural institutions.

In contrast the role of such local political leaders was found to be weak in Kalahandi. However, there are number of instances where local MLA (political leaders outside the village) has encouraged SHGs by providing financial support and conducting meeting. The role of watershed directorate and committee in promoting and supporting SHGs is significant in Kalahandi. The watershed committees are quite active in the Panchayats and provide various support services to

4 This is one of the strategies that AWW have adopted to meet their targets for SHG formation.
farmers and SHGs to encourage adoption of watershed management principles and starting Income Generating Activities (IGA).

The government officers particularly at the block level (BDO, WEO, CDPO and others) in both the locations were found to be supportive of SHGs. However, the support in Bhadrak is more facilitative in nature while in Kalahandi it is more directives oriented. The lower level of literacy, poor awareness and exposure among SHG members in Kalahandi as compared to Bhadrak is one of the potential reasons for difference in approach observed at the case sites.

3.5 Organizational Purpose and Function

The term self-help group is used to describe a variety of financial and non-financial associations. There are two distinct schools of thought regarding the purpose and functioning of SHGs in India.

One thought describe self help groups as association among poor based on an affinity, reflecting relationship of trust that translates into action for mutual help. The affinity among the associates is often based on social features (homogeneity, same caste) or commonality (gender, same hamlet, kinship, friendship) or livelihoods (same occupation, economic activity) and translates into strong social capital for mutual help and support including establishing linkages with other organization and institutions for benefit of the group and the social role they would play. The role of credit management is assumed to be one of the subsidiary functions the group would engage with, the primary being collective action for mutual help and to effectively negotiate with the environment for self-progress through building organizational skills, confidence, resources and power (MYRADA).

The more popular thought (in terms of practice) accepts self-help group (SHG) model as the dominant form of microfinance. This refers to a group of 10–20 poor women who band together for financial services; beginning with periodic, compulsory savings followed by loan to members and eventually establishing credit linkage with bank to meet the loan requirement of members. The group may occasionally undertake social roles at the community level. Clearly the basis of association is more for financial services (thrift and credit activities) and less on affinity base or non-financial association. Occasionally, promoters or SHPIs give SHG initial seed capital to lend, but more typically, groups begin by saving and lending out to their members based on own resources. Most SHGs eventually borrow from an external source, usually a bank and this bank linkage is the most distinctive characteristic of the Indian SHG model.

3.6 Design Features of Self Help Groups

3.6.1 Organizational Structure

The structure of organization is simple and flat, consisting of 20 or less members, usually women (men SHGs and mixed SHGs are few) and the members select among themselves three members to take the role of President, Secretary and Treasurer / Cashier who together comprise the executive committee of the SHG.

The structure is normally decided as per the bylaws framed by the group with help from the promoting institution. In practice the SHGs have almost similar structure and bylaws. By design the organizational structure can be changed democratically, however the study does not provide any evidence that organizational structure has been changed in SHGs covered.

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5 The membership, bylaws and structure is as per the sector norms evolved overtime. NABARD and other mFIs have played important roles in this regard.
3.6.2 Organization Leaders

Selection of Leaders

The president, secretary and a treasurer is selected among the members of SHG as organizational leaders. The leaders are mostly selected in a democratic manner by members immediately after the members agree to associate. Usually, the members who initiated the formation of SHG have become the first leaders of the organization. It is expected and desirable that leader’s positions are rotational in nature. However, in practice the leadership is normally not changed for various reasons.

The selection of initial leaders is de facto, among the few who initiate the formation of group. In case of groups promoted by NGO or Mission Shakti the community organizer or AWW generally motivate and encourage a select few (who have potential of mobilizing others) to start a self help group. The organizational leaders are generally one or more among them who take the responsibility of finding suitable members for group formation.

The actual selection of members is formalized in the first meeting of the group. Generally the members consent the selection of one or more initial initiators. However, if others have to be selected the group decides among themselves their selection. In such cases the selection is sometimes influenced by the representative of the concerned SHPI. Literacy level of the member, ability to manage and lead, ability to devote time, ability to travel out, confidence and general reputation are some of the criteria used by members in selection of leaders. In certain cases it was observed that members preferred to select older members as group leaders.

Change of Leaders

The case study reveals that the organizational leaders have continued in their position since inception and the principle of leadership rotation has not been adopted. The site studies reveal that neither the organizational leaders have initiated such changes in leadership, nor the members have requested changes in leadership irrespective of the performance of the SHG.

It emerges from various discussions, that members view themselves as having similar capabilities as that of existing leaders and hence do not feel that changing leaders can improve organizational effectiveness. In other cases, the members seem to have either strong faith on existing leadership or the group lacks able and willing members who can take charge of leadership. The responsibility of leadership is viewed as burdensome and associated with risks.

The leaders of SHGs seems to enjoy the reputation and relatively higher power vis-à-vis other members particularly in the social domain (representing the organization in meeting, training, engagement and linkage with other institutions and organizations). Sense of power, ownership, pride and other social benefits associated with leadership are the real motives rather than the opportunity of financial gain and controlling finances for perpetuating leadership.

3.6.3 Members of SHGs

Membership Criteria

The membership is on the basis of self selection and there are no fixed criteria of membership. However, it is observed that the membership is being decided on the basis of some homogeneity such as geographical proximity, caste, gender and economic status. Most of the groups comprise of women members residing in the same hamlet or neighboring hamlet, which also ensured social homogeneity. Some of the groups created by cooperative were reported to be male groups of farmers. Ability to save regularly is one of the key criteria used for evaluating potential

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6 The villages have spatially distributed hamlets generally comprising of all or majority of them from the same caste.
membership by group initiators. The selection of initial members of SHG is also influenced by the views and opinion of the SHPI. The other key actors in the village have also occasionally influenced selection of initial members.

**Membership Size**

It is a widely accepted norm that the SHG should not have more than 20 members. The maximum group size was found to be 13 in Bhadrak. Generally, the groups consist of 10-13 members and SHGs covered in Kalahandi were found to be comparatively having fewer members (usually 10) than SHGs in Bhadrak.

In Bhadrak the membership varied between 11-13 women (two had 13 members, one had 12 members and two had 11 members) while in Kalahandi five of the SHGs covered had 10 members and in one case had 11 members. SHGs that have successfully linked to SGSY loan-cum-subsidy program have 13 members to take maximum advantage of the subsidy.7

<table>
<thead>
<tr>
<th>SHG, Village, Gram Panchayat</th>
<th>Promoting Institution</th>
<th>Year of Formation</th>
<th>Initial No of Members</th>
<th>No of Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mother Teresa, Ambroli NGO</td>
<td>NGO</td>
<td>1997</td>
<td>18</td>
<td>13</td>
</tr>
<tr>
<td>Gopal Jew, Ambroli Mission Shakti</td>
<td>2004</td>
<td>10</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Maa Mangla, Talanga, Ambroli Mission Shakti</td>
<td>2005</td>
<td>18</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Maa Durgali Nasini, Sabrang NGO</td>
<td>2005</td>
<td>14</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Maa Santoshi, Sabrang NGO</td>
<td>2002</td>
<td>10</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Maa Saraswati, Goramati, Sabrang NGO</td>
<td>2005</td>
<td>12</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Nilakantheswari SHG, Kerketa, Gunduri NGO</td>
<td>2003</td>
<td>16</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Routpada Mahila Mandal, Gunduri Watershed Committee</td>
<td>2005</td>
<td>7</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Nilakantheswari Mahila Mandal, Gunduri Mission Shakti</td>
<td>2005</td>
<td>10</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Maa Chandi, Lanjigarh Road Mission Shakti</td>
<td>2005</td>
<td>11</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Maa Bharavi, Kidding, Lanjigarh Road Watershed Committee</td>
<td>2003</td>
<td>11</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Maa Mauli SHG, Kidding, Lanjigarh Road Mission Shakti</td>
<td>2005</td>
<td>10</td>
<td>10</td>
<td></td>
</tr>
</tbody>
</table>

Source: MRI Study 2007 / Sutra

**Changes in Membership**

Irrespective of the district, the SHGs were found to be very reluctant to make any changes in their membership size. The SHGs are not willing to add new members for various reasons. Among the most important reasons cited was the difficulty in management that may emerge as a result of increased membership and the risk that it would upset the existing coordination and camaraderie among members and may lead to group disintegration. Most of the SHGs felt that the chances of conflicts are higher with large membership. Adjusting for savings and loan among existing members is another complexity. The groups also feel that sufficient efforts and energy has been consumed in establishing a group and the new member would immediately gain without efforts if they extend membership. The groups were found to be reluctant to take new members even if the potential members are willing to deposit equal savings as that of existing members. Additionally, it seems that the members and the organizational leaders are not sure whether they can increase the number of members. Clearly, the promoting institutions have not explained them about such possibility and the likely implications of increasing membership.

Among the six SHGs covered during the detailed study, only two SHGs (one in each of the district) were found to have not changed their membership since inception. Four SHGs were found to have added new members (two in each district), while six SHGs have reduced their membership (three in each district).

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7 The subsidy available to a group is 50% of the cost of the project subjected to per capita subsidy of Rs. 10,000/- or Rs. 1.25 Lakh whichever is less.
Expanding Membership

Majority of the SHGs covered during the study have not extended their membership. The increase of members in SHG was observed in four cases; two in Bhadrak (Ambroli and Sabrang) and two in Kalahandi (Gunduri). Maa Santoshi, Sabrang, had added one member (after 3 months) who had agreed to join the group at the time of formation, but could not join since she had gone to her parent’s house.

Gopal Jew, Ambroli: We were ten members at the beginning. When we went to open our bank account at central bank, the manager told us “why you have taken only 10 members when more than 10 members are possible. And if there are 13 members in your SHG, you can get subsidy of 1.25 Lakh from the loan amount. We decided to expand our membership to 13. Khirod Das (the most influential local leader) has arranged 2 members from Katual Pokhari Sahi within the next week and we arranged another member from the same hamlet. Khirod Dash has also taken loan from our SHG.

In Kalahandi, Maa Nilakantheswari Mahila Mandal, Gunduri, has added two new members while Routpada Mahila Mandal, Gunduri, has added three members mostly the new daughter-in-laws in their hamlet.

Among the SHGs covered, only two cases were found where the groups have taken new members against positions falling vacant. Maa Bharavi, Kidding, added 2 new members after two of their members expired. Both, the members added were from the same hamlet and one of them was relative of one of the deceased member. Mother Teresa, Ambroli, had taken one new member after their member secretary left the organization for employment in the city. The new member paid equivalent saving as that of existing members and an additional sum of Rs. 500/- to the group for joining.

Reducing Membership

50 percent of the SHGs covered during the detailed study have lesser number of members currently than they had at inception. The reduction in number of members is due to various reasons. Poor participation in affairs of the group and irregular saving is the prominent reasons of members being expelled from the group. In all the three case in Kalahandi the members were dropped since the members could not save. In Bhadrak members were dropped from SHGs primarily since they did not comply with group norms and due to their irregular participation in group affairs.

Among the SHGs covered, two cases were found where the members were reduced to 13 to gain maximum from SGSY subsidy-cum-loan. In another case, the SHG lost members when the bank wanted photocopy of land record prior to bank linkage.

- Mother Teresa, Ambroli has dropped about 5 members since they did not follow the group norms. What is however evident is that this is not the only reasons. The members who were dropped were from a different hamlet and lower caste groups, while the remaining members are from a particular hamlet and mostly Brahmin. But it seems that the real reasons for dropping 5 members out of 18 initial members was to ensure that maximum benefits from SGSY is realized by bring down the membership to exactly 13 (maximum 13 members).

- Maa Mangla, Talanga started with 18 members and has reduced by 7 members. When the SHG went for bank linkage the bank manager wanted to have a photocopy of their Patta (records of right for land) to verify whether they all belonged to the same village. There were 2 families who had some land problems in families and the case was sub-judice and they could not produce land ownership records. In case of four other members their
families (father-in-law refused) refused fearing that the group would not be able to repay the loan. One member was expelled as she refused to agree with SHG norms such as coming to meeting, sharing transport cost by members for bank deposit, her husband also interfered in group activities and she did not return the loan amount (share in the bank linkage). The group tried to reason with her, but since she was not willing to change, she was dropped from the group (the member dropped was Brahmin).

- Nilakantheswari SHG, Karkata, Gunduri, had 16 members at inception. Two members were dropped since they could not save regularly while another 4 members who did not had BPL card were dropped when the SHG went for SGSY bank linkage (the subsidy benefit is meant for BPL households).

3.7 Functioning of Self Help Groups

3.7.1 Organizational Rules

The SHGs seem to have a reasonably well defined set of organizational rules. Majority of the rules are unwritten and have evolved more as a practice with time. Some of the rules adopted by groups were on the basis of prevailing practices of other SHGs or as guided by the promoting institutions. However, it is observed that the rules in general are flexibly applied primarily in the interest of their members. Some of the institutional rules are more a statement of intent that may become relevant as the group grows financially and achieve organizational maturity which at present seems difficult to implement.

a) Rules related to Membership and Leadership

The rules related to membership and leadership is not clearly defined in SHGs. This seems to be reasonable since most of the SHGs have not expanded their membership (except in cases where it was necessary for SGSY linkage) and are also not willing to increase it in future. In SHGs where new members have been taken in place of members who have left willingly or otherwise, it is observed that members are general from the same hamlet and socio-economic profile as that of existing members. The same criteria were used by most of the SHGs when deciding initial membership of the organization. The absence of rules related to leadership is quite explainable considering that the rotation of leadership is not observed among SHGs. The initial leaders have continued in most of the SHGs except for cases where leaders have resigned willingly.

The rule related to removal of members is well defined in SHGs, however quite broad in its interpretation. Members not following the various organizational norms for savings, loan and repayment, meetings and decisions have lost their membership of the organization. However, most of the SHGs did not have specific conditions under which a member would be requested to leave the organization. It seems that in case of mature SHGs such rules may be explicit such as in Mother Teresa, Ambroli, where members defaulting on payment of interest and loan for three months continuously may lose their membership. However, such rules wherever existent are not strictly followed.

b) Rules for Saving

The most well established organizational rule relates to monthly savings by members. All the SHGs have fixed norms for savings including amount to be saved by each member and frequency of saving. The saving by members of the group is done monthly and the collected saving is deposited in bank.

Amount and frequency of saving

Each group has its saving norm and the monthly saving by members varies from Rs. 10 to Rs. 40. The monthly amount to be saved by each member of the group has been decided by members
based on their capacity to save. Some groups have increased their monthly saving amount as the group has progressed.

All the SHGs save once a month. However, it was observed that certain groups who were unable to save in a particular month, deposited savings for both the month in the following month.

Managing the Savings

All the groups have a savings bank account and the saving for each month is usually deposited in the bank. The bank accounts are joint account, usually in the name of President and Secretary. None of the groups were found to be holding any cash in hand for meeting requirements of emergencies.

Transaction with Bank

Most of the SHGs have clear rules regarding bank transactions. The monthly deposit of savings is normally done by the leaders of the group. However, in Maa Chandi, Lanjigarh Road, it is done by member by turn and in Maa Mauli, Lanjigarh Road, it is done by a team of two members. Since, Maa Mauli SHG has been cheated earlier by two outsiders they have developed this norm and the receipt of deposit is shown to all members as evidence. In case of Nilakantheswari SHG, Karkata, Gunduri, all bank transactions are carried by two outsiders (one of them husband of a member) since the group consist of mostly illiterate members with poor awareness regarding group operation. In fact the entire management of the group is in the hand of these two people and the members have no knowledge of organizational functioning.

Maa Chandi SHG, Lanjigarh Road: “Deposit of saving in bank is done by members in turn. This would increase better exposure of all members.”

Fine for late savings and refund of interest/loan

Rules for imposing fine on members for not saving on time or on late payment of interest or principal seems to be missing from most of the groups. Only three groups (2 in Ambroli and 1 in Lanjigarh Road) reported to have some institutional rule for ensuring financial discipline. However, the discussion reveals that these rules are rarely applied except for Mother Teresa where the groups have occasionally applied fines against late deposit of savings and repayment of loans.

Reimbursement of transportation cost

Reimbursement of transportation cost for leaders and members for visiting bank for deposit has been made explicit by Maa Mangla, Ambroli, and Maa Bharavi, Lanjigarh Road, groups. It was observed that such expenses are being borne by the SHGs.

c) Rules for Loan

The organizational rules regarding loan is also relatively well established. However, there are variations in application of these rules and depends on decisions by members and group maturity. The rules are applied flexibly based on economic condition and emergencies of members.

Eligibility of Members to take Loan

All the members are eligible to receive loan from their groups. However, members with existing loan cannot take loan for the second time from the groups. In practice it was observed that members with existing loans were also given fresh loan by the groups. Demands of members with emergency needs are given priority over other applicants.
Loan Amount

There are no explicit rules regarding amount of loan a member can take from her group. Only, one group (Mother Teresa, Ambroli) agreed that the maximum permissible loan amount for a member is fixed (Rs.2000/-), however investigation of their records reveals that this is not exactly being followed. The amount of loan a member can take seems to be based on her requirement. No ceiling was also observed regarding the amount a member can re-loan to an outsider, where loan to outsiders by a member is allowed by the group.

Loan to members from the group savings is mostly demand driven. However, in cases where the groups have taken loan from bank, the loan amount is usually distributed equally among all members irrespective of individual requirement.

The repayment period though fixed for a loan, is not strictly followed in case of loans from group savings. But, the repayment schedule is strictly adhered in case of loan refunds (interest or principal) in case of bank loans. The groups seems to be particular in their repayment schedule to bank and in situation where some members find difficulty in repaying their dues, other members generally pull their resources to help them.

Interest on Loan

The interest rate to be charged on members taking loan from the group is fixed. The SHGs in Bhadrak charge a monthly interest rate of 3 percent, while SHGs in Kalahandi charge a monthly interest rate of 2 percent except in case of Maa Mauli, Kidding, where members are charged 5 percent interest. The interest is charged on all loans provided to members whether through savings or through loans received from banks.

Purpose of Loan

Institutional rules regarding the purpose for which loan can be taken by members is not fixed. Groups were found to be lending for variety of purpose, both, consumption smoothening and income generation activities. Gopal Jew, Ambroli, in Bhadrak and Maa Mauli, Kidding in Kalahandi seems to have explicit rules regarding giving priority to loan request of members for health requirements and emergencies. However, it emerges from discussions that emergent needs of members are generally attended first by most of the groups as compared to investment and other needs of members.

Loan to Non-members

The institutional rule regarding whether the SHG can give loan to an outsider is not very explicit and clear to members. None of the SHGs were found to have given loan directly to a non-member. However, Mother Teresa and Gopal Jew in Ambroli allow members to give loan to an outsider where the concerned member stands guarantor. Usually in such cases the members charge one percent higher than the interest rate at which she has borrowed from the group. In Gopal Jew such loans can only be provided for a period not exceeding one month. In practice, members do not really take loans for re-loaning it to others, rather unused loan amount (in groups where it is compulsorily disbursed) were used for giving loan to others since the members herself did not had any credit requirement. Maa Santoshi and Maa Saraswati SHGs seem to allow providing credit to non-members through members, but there were no evidence that the members have done so. In other two SHGs in Bhadrak there is no such provision, as the groups have high internal need for loan, which they are finding it difficult to satisfy.

Maa Mangla, Talanga: “We can give loan to outsiders, we have never thought of. We don’t have enough money to give loans to our own members”

All the SHGs in Kalahandi refused to have any such provision for providing credit to an outsider either directly or through members. It seems that older SHGs, where credit requirement of
members for income generation activities have already been met and the groups have surplus fund available, the groups may agree to provide credit to non-members to generate returns. Nascent groups or groups where the internal credit demand is high are likely to refrain from forming such rules that potential are not in the best interests of the members. Groups with members from lower social groups and economic strata such as in Kalahandi are less likely to lend outside. Such groups may also have higher risk perception in lending to outside even if there may be sufficient funds parked in their accounts.

**Procedure for Sanctioning Loan**

Majority of the groups have a reasonably well laid procedure for sanctioning loan for members. The member interest to borrow would request the group orally or written (some groups said they take written application), which is considered by the group in a meeting and is sanctioned if majority of the members agree to the loan request after a resolution. The loan is than recorded in the loan register and is signed by concerned member. The sanctioning of loan is done by the president alone or with secretary of the groups.

**d) Rules for Meetings**

All the SHGs have fixed a monthly meeting for the group and are generally conducted during afternoon or evenings. The attendance of members in the meeting is mandatory. There is no evidence than any agenda for the meeting is prepared in advance. The subjects for discussion in the meeting is decided in the meeting itself. Majority of the meetings revolve around discussion on savings, loan and income generating activities and occasionally on other subjects related to women in the community. The rules related to requirement of quorum for the meetings are not framed.

**3.7.2 Decision Making Process in SHGs**

FGDs indicate that members jointly with the executive committee are involved in decision making process. Since these are small groups of less than 20 members, decisions through discussion in a meeting are not difficult. The members normally take decisions relating to loan amount for a member, prioritizing loan recipient, criteria for including new members and obtaining loan from financial institutions. Decision is taken by convening a meeting where most of the members are present. Attendance in meetings was found to be more than 90 percent as recorded in the minute books. It emerged during FGDs at Gunduri that organizational leaders sometimes sanction loans without approval of members particularly during health emergencies requiring hospitalization. Decisions to a certain extent and to a large extent in few cases are influenced by key actor (PRI members, Anganwadi worker, relatives or family members of some members, NGO staff and outsiders) involved in management and operation of group.

**Decision on Member Saving**

Decision regarding monthly saving amount for members is one of the most common decisions taken by self help groups. Normally a decision in this regard is taken at the time of formation of a group and in between if the group wants to increase or decrease the saving amount. Usually the president or secretary of the group proposes an amount for monthly saving, which is debated and discussed before finalizing the saving norm for members. It was observed that in majority of the groups in Bhadrak the leaders had proposed a higher saving amount at inception, but the groups have agreed on a lower sum than proposed. For instance,

Gopal Jew, Ambroli: The Secretary proposed the amount to be 30/- but the members discussed among themselves and decided to save 25/-.

Maa Santoshi, Sabrang: Initial discussion was to save Rs. 50, but the group agreed to Rs. 30/-
Maa Mangla, Ambroli: It was proposed to keep Rs.50/- as monthly deposit. But some members (3) opposed and finally it was decided to keep Rs.20/- per month keeping in mind the lean period of the years.

The decision to increase the saving amount is generally decided by members of the groups. Four out of six groups in Kalahandi has increased their monthly member deposit in between. In contrast only two groups in Bhadrak (out of six) has increased monthly member saving. The maximum increase at a time in monthly saving for members was found to be Rs. 10.

- Mother Teresa, Ambroli: Increased saving from Rs. 11/- to Rs. 20.
- Maa Santoshi, Sabrang: Increased from Rs. 30/- to Rs. 35/- for meeting management cost of SHG.
- Maa Chandi, Lanjigarh Road: Increased saving to Rs. 20 from Rs. 10.
- Maa Bharavi, Lanjigarh Road: Initially saving norm was Rs. 30, later increased to Rs. 40.
- Maa Mauli, Lanjigarh Road: Initially the savings was 20, which was increased to 30 and then to Rs. 40. If the members are unable to save Rs.40 in any month, they save Rs. 30.
- Routpada Mahila Mandal, Gunduri: Increased monthly saving from Rs. 20 to Rs. 30.

**Decision on Changing Interest Rate on Loan**

Changing interest rate for loan is an infrequent decision and was observed that only one group Mother Teresa, Ambroli, has increased their interest rate from 2 percent to 3 percent. No case of interest rate reduction was found during the study.

**Monitoring and Action**

The organization has internal monitoring system where performance of individual and group activities is monitored. Group activities include PDS distribution, MDM, lease of ponds for fisheries, etc. while individual activities includes small economic activities. The monitoring involves supervision of loan utilization and performance of business activities. There are instances of external monitoring by banks and other SHG promoting organizations. For example, Maa Mangla SHG, Talanga, the organizational leaders visit occasionally members to monitor dairy activities individually taken by them. Loan repayment by members is monitored on a regular basis and leaders take adequate steps to ensure that timely repayment to bank is achieved.

**Conflict Resolution**

Conflict resolution is mostly internally handled with discussion among members. If there are larger issues, outsiders like SHG promoters, village leaders or Sarpanch are called to settle the dispute. Common conflicts relate to addition of new members, group IGA, sanctioning and disbursing of loans, and collection of outstanding amount. Most of these conflicts are managed internally by members and outside help for conflict resolution is uncommon. For example the SHG members in Maa Mangla, Ambroli GP have came across a conflicting situation while dealing with a member who was asked to leave since she was not adhering to group norms. It seems that her husband had created lot of problem for smooth functioning of the group. The group members took the help of village leaders and resolved the matter.

**Communication**

Communication among members is mostly during meetings, which is organized on a monthly or fortnightly basis. Field observations indicate that participation of members in SHG meetings is high. FGDs also indicate that if a member is absent in a meeting then she is able to receive information on decisions taken from other members or organizational leaders. Internal communication of SHGs seems to be strong due to their small size and compact geographic location. The meetings register is generally maintained properly and documents all decisions
taken during various meetings. The venue of the meeting is normally a common place in the village and the required quorum for the meeting is $\frac{1}{3}$rd of the members. Participation is very strong and there are no examples of cancellation of meeting due to lack of quorum.

**Record Keeping in SHGs**

There are various records that are maintained by the SHGs. Among the most important records are meeting book (for minutes of meetings), saving ledger, loan ledger, expenditure book, cash book and visitors register. In general the SHGs have poorly maintained records and significant improvement is desirable. Majority of the SHGs depend heavily on outside help for maintenance of records. The quality of records maintain by groups in Bhadrak is relatively better than groups in Kalahandi. About half of the SHGs covered in Kalahandi have no records. Poor literacy levels of members is the main reason for poor quality of record keeping in SHGs. Capacity building and training provided to SHGs (to some) by promoting institutions in this respect is inadequate and ineffective. Records are in general not updated, even in cases where it is being maintained by others outside the organization.

Promoting institutions such as NGO and AWW writes and maintain records on behalf of SHGs in some cases, for instance, the AWW maintains all records for Maa Chandi, Lanjigarh Road. However, where the NGO has withdrawn his services, the records have remained un-updated. The records of Nilakantheswari, Gunduri, were maintained by the promoting NGO till middle of 2005 and after the NGO withdrew from that area the records are not being maintained.

Maintenance of records by educated family members (in general male) is quite evident. For instance, records in Maa Mauli, Lanjigarh Road, is maintained by the husband and son (completed High School) of one of the members, while in Gopal Jew, Ambroli, father-in-law of one of the members maintains records. In Mother Teresa, Ambroli, the records are maintained by a person on a fee basis (Rs. 300 per year), who used to works with the promoting NGO previously.

In groups where the records are internally maintained, the leaders are generally responsible for keeping it updated. In such cases the quality of the reports are comparatively poor than that of groups where record is maintained by outsider.

### 3.7.3 Institutional Linkage of SHGs

| Rural Institution | Mother Teresa | Routpada Mahila Mandal | Maa Mangla | Maa Durgati Nasini | Maa Santoshi | Maa Saraswati | Nilakantheswari | Gram Panchayat | ICDS (Anganwadi Worker, CDPO) | NGO | Other SHGs in the Village | Bank | Local Political Leader | Block Level Office (BDO, PA) | Line Department | Veterinary Surgeon-VS | mFI or SHG Cooperative | Watershed Committee | OMFED Society | School | Rural Health Institution (ANM & ASHA) | Village Level Actor |
|------------------|---------------|------------------------|-----------|-------------------|--------------|--------------|----------------|----------------|-----------------------------|-----|-------------------------|-------|------------------------|-----------------|-------------------|-------------------|----------------|-----------------|-----------------|-------------------|-----------------|-------------------|------------------------|
|                  | Moderate (R)  | Moderate (R)           | Weak (I)  | Weak (R)          | Weak (I)     | Moderate (I, D, R) | Weak (R)       | Moderate (R) | Weak (I)         | Strong (I, D, R) | Moderate (I, D, R) | Strong (I, D, R) | Strong (I, D, R) | Weak (I)         | Moderate (I, D, R) | Weak (R) | Weak (I, R) | Moderate (I, R) | Strong (I, D, R) | Weak (I)     | Moderate (I, D, R) | Strong (I, D, R) |
|                  | Moderate (R)  | Moderate (R)           | Weak (I)  | Weak (R)          | Weak (I)     | Moderate (I, D, R) | Weak (R)       | Moderate (R) | Weak (I)         | Strong (I, D, R) | Moderate (I, D, R) | Strong (I, D, R) | Strong (I, D, R) | Weak (I)         | Moderate (I, D, R) | Weak (R) | Weak (I, R) | Moderate (I, R) | Strong (I, D, R) | Weak (I)     | Moderate (I, D, R) | Strong (I, D, R) |

**Linkage with Gram Panchayat**

The SHGs have strong institutional linkage with Gram Panchayat where the SHGs have adopted group based IGA with support from Panchayat. The linkages were found to be strong where Panchayat has supported groups to take Panchayat ponds on lease for fishery activity, PDS distribution or MDM program in schools.

SHGs usually have some linkage with Panchayat. However, the strength of the association is influenced by the local context and the institutional maturity of groups.
In Ambroli, the groups in the main GP village have better institutional linkage than the groups in the dependant village. The groups (Mother Teresa, Gopal Jew) in Ambroli main village have taken Panchayat pond on lease for fishery activities. However, the linkage with Panchayat is mostly through their linkage with the local political leader (ex-Sarpanch) who takes all decisions in the Panchayat. The present Sarpanch (a ST woman) was selected due to reservation but is a proxy for this local leader. Similarly, in Sabrang GP, the Panchayat has helped Maa Santoshi to lease a pond, issued BPL card to members necessary for SGSY and provided wage labor opportunity in road work. The Panchayat has also helped the group resolve a conflict at the local level. However, the linkage of Panchayat with other groups is weak and is limited to providing information related to SHGs.

The institutional linkage of SHGs in Gram Panchayats in Kalahandi is generally weak. The Gram Panchayat has provided information to SHGs regarding PDS and MDM activities, which the groups can undertake. However, the groups expressed the linkages as weak as the level of involvement and commitment in supporting SHGs seems to be missing in the leadership. The involvement in most of the cases is limited to passing the information regarding such opportunities as per Government instructions. The Panchayats did not help the SHGs to get better informed on such schemes or facilitated them in their efforts in getting these group activities.

In general, the Panchayat role is limited to providing information to SHGs and in only few cases in supporting the groups with resources available with Panchayat. The support to SHG for decision making is limited.

**Institutional Linkage with Promoting Institutions**

The link between SHGs and NGO (either as promoters or as facilitators) was observed in only half of the cases. Generally, where the promoting NGO has withdrawn his services the association was characterized as weak. The association between NGO and SHG was found to be strong in two cases. Maa Santoshi, Sabrang has a strong linkage with the NGO (MASS) and they have supported them in forming the group, capacity building, maintenance of record, selection of IGA activity and linked them to other institutions such as OMFED society. Similarly, local NGO (SHEDS) has helped Maa Mauli, Lanjigarh Road in managing the SHG, provided training and loan for IGA activities.

The institutional linkage between Watershed Committee and the SHGs promoted and supported by them in Kalahandi was found to be extremely strong. The Routpada Mahila Mandal, Gunduri as a group was reorganized from an existing defunct group by the local watershed committee. The committee has provided them with number of training on undertaking IGA activities such as fishery, poultry, vegetable cultivation (Papaya, Mushroom and Onion). The committee has provided them various saplings (papaya, mango, sunflower, jackfruit, lime) and chicks for poultry development on a subsidized price. The support from the committee to the SHG has been continuous in improving group management and to initiate livelihood activities.

Maa Bharavi, Lanjigarh Road initially formed by the AWW became defunct, which was revived due to support from the watershed committee. The committee helped them in conducting meeting and maintaining records and provided information and training to the group to grow cash crops such as sunflower and wheat. The committee also provided subsidized seeds for these crops and provided saplings for horticulture and vegetable promotion.

The institutional link of SHGs with AWW or CDPO was observed in almost all the cases. However, in some cases the link was there without any support to the group in terms of information, decision making or resources. In large number of cases particularly the link was thought to be weak and limited to providing information, conducting meeting of SHGs and monitoring record maintenance. SHGs reporting linkage with AWW in terms of resources is
mostly in terms of training and capacity building for group management and maintaining of records. The linkage of SHGs with ICDS is stronger in Kalahandi than in Bhadrak due to higher role of AWW in promoting groups.

AWW was found to be helping large number of SHGs in maintaining records and writing proceedings of the meeting. CDPO occasionally visits SHG and reviews their records and offer suggestion on better maintenance of record and initiating livelihood activities.

The CDPO has supported Routpada Mahila Mandal and Nilakantheswari SHGs in Gunduri to start a livelihood and food security activity. Nilakantheswari SHG: ‘For 40 BPL women we have got 40 quintals of rice. The CDPO told us that if we give 40 BPL cards, they would give us one quintal rice to each member. Each member would have to pay 6 Kg of rice as interest per month for each quintal of rice. 30 members have taken 30 quintal rice and rest 10 quintal is there. The rice has come in our name. Some outside women who have BPL card also have got the rice. The program started since 1 year. We have received 1 quintal as interest & 4 quintal of initial rice, eventually we will get the total 35 quintals back.”

**Linkages among SHGs**

The institutional linkage among SHGs operating in the village was found to be missing. There is no evidence that SHGs have promoted or support other SHGs through sharing of information, resources or support in decision making. The SHGs are quite independent of each other even though achievements of older groups were an inspiration for others to start new groups. There seems to be a sense of competition among groups in accessing village level resources (ponds, PDS) for activities and in securing bank linkages and SGSY fund.

It seems that federation of SHGs could be instrumental in improving linkage and support among SHGs. Maa Santoshi, Sabrang is institutionally linked to number of other SHGs through a federation (Yugashakti Mahila Mandal) promoted by the NGO (MASS). It is noticeable that the group has reasonably moderate level of institutional ties with other groups under the federation and sharing of mutually beneficially information and support for decision making is evident. The resource sharing among SHGs is relatively low except through the federated structure (Rs. 55/- per month is paid from saving to federation). The monthly meeting of all SHGs in the federation has helped built institutional ties with other SHGs.

**Linkage with Bank**

Majority of the SHGs have been able to establish bank linkage and had taken multiple doses of credit. Two groups in Kalahandi and one group in Bhadrak have not borrowed from bank. Quite a few SHGs were not able to clearly report the exact number of times they have borrowed from Bank and the total borrowing. Inadequate and un-updated record was another problem in getting accurate bank details. It emerges on the basis of discussion that loans have been taken by the SHGs to fund requirements of members for income generation activities. Few SHGs, in particular from Kalahandi have taken loan as they were advised to take loan from promoting institutions and were influenced by others who are taking loan. Among the SHGs in Bhadrak, three of them (all under Ambroli) have received loan-cum-subsidy under the SGSY scheme of GoI. While in Kalahandi only one SHG among those covered has received SGSY fund.

SHGs have moderate to weak institutional linkage with bank. The banks primarily provide various information regarding accessing credit and savings management. In few cases the bank has helped the SHGs in selection of livelihood activities (though not a practice) for bank linkage and SGSY fund. For instance, Maa Mangla, Talanga wanted to select some other IGA activity but selected dairy scheme due to persuasion by bank.
The institutional linkage between the SHGs and bank is weak in Kalahandi due to various factors. The banks are located at a distance from the village and frequent visit is difficult and costly. The leaders and members of the group are mostly illiterate and have poor understanding about financial management and it is generally managed by others such as AWW and relative. The requisite training and capacity development of groups have not been undertaken by the promoting or supporting institutions.

**Linkage with Block, Line Departments and Scheme specific Institutions**

The linkage with block office is limited to cases where groups have accessed or tried to access SGSY fund and have taken activities such as PDS and MDM.

The role of line department is limited, such as training for fishery activities by the fisheries department and health services by veterinary department for diary activities (Ambroli).

The linkage of SHGs in Kalahandi with schools where they have taken MDM activities is limited to information and resources. For instance, Nilakantheswari SHG, Karkata, Gunduri, receives Rs. 300-400 per month towards the cost of oil and condiments. A group member is employed as a cook for MDM and she gets Rs. 300 each month.

The SHGs are not functionally linked with ASHA, Lady Health Visitor and ANM (Rural Health Institutions). However, it seems that on issues related to maternal and child health they interact with them and get information and support.

**Role of Local Political Leader**

The role of local political leader and its strong linkage with SHGs is observed only in Ambroli Panchayat. The local political leader belongs to the most influential Brahmin family, which have dominated village affairs historically. His grandfather was a landlord and his father was a Sarpanch for 10 years. He subsequently became Sarpanch in 1992-97. In the next election he nominated a candidate for the post of Sarpanch (women SC candidate) when the seat was reserved and the candidate got elected (1997-02). In 2002 the Sarpanch post went to another influential person from the Congress party. In the recent election (2007) he nominated a ST woman for the post of Sarpanch as the seat was reserved and the contestant got elected. He was/is the de facto Sarpanch during these terms when proxy candidates got elected to the post. When Pani Panchayat was first constituted in his village he became the president (as he was not the Sarpanch) and other leaders were selected from his close aids and relatives. He has been the president of Ambroli cooperative society (PACS) for a long period. He was instrumental in forming the first SHG in the village by encouraging women (Brahmin) in his hamlets. All the members of this group are related to him or his close friends and supporter. The group was able to get SGSY fund because of his influence. He holds more than 12 acre land and has small business. He is/was member or leader of all rural institutions in Ambroli. The local leader is an intelligent, educated and helpful person. His opinion and advice is sought by one and all, in matters whether related to personal or village. The local political leader has been able to help and encourage the SHGs and all other local institutions (provided support to local youth club also) to perform. With all his good intentions this has helped him perpetuate his feudal control of the village.

**Role of Village Level Actor**

The linkage of village level actors with SHG is observed in few cases and particularly in Bhadrak. The linkage wherever existent was found to be extremely strong, controlling significantly operations and management of SHGs.

Mother Teresa, Ambroli is the oldest SHG (1997) in Ambroli (also across sample sites in two districts). The group has received the first prize in the block for its successful economic activities. The group heavily depends on Diwakar Padhi, a local youth who was working earlier with the
NGO (promoting institution) as village worker. He has supported the group from the formation stage. He manages and writes all records, attends all their meetings, take the leaders to bank and to block level offices, withdraws cash and decide almost all activities of the group. He is paid Rs. 300/- per year for his services and the group has supported him with Rs. 5000/- during his treatment. He is the only person who knows exactly the savings and loan of the group and the performance of the group in various activities. During the discussion with the group and subsequent verification of the records it became evident that the group is making losses in the fishery activity, while he and the entire group feel that they are making lot of profit in the IGA selected with SGSY fund. The records were found to be maintained adequately however with lot of unexplained transaction and financial mistakes (all records are kept with this person).

Maa Mangla, Ambroli started in 2005 with active support from Santosh Das. The members of the group approached the concerned AWW for starting a SHG, but the AWW advised them not to start a group. The members then approached another AWW in the Panchayat who advised them to coordinate with her husband Santosh Das. According to the members; “He helped us in the formation of SHG. We requested him to help us in record keeping, which he agreed after we decided to pay him for his services. He helps us in conducting meetings and visiting block office and bank for getting advice. He also helped us in getting mid day meal scheme for our SHG. He helps in conflict resolution.” He is the only person who knows how this SHG is performing financially.

In another SHH Maa Durgati Nasini, Sabrang: “Panchayat Secretary (in his personal capacity) guides us in record maintenance, solving disputes and conflicts and in decision making.” Other than Bank, he is the most important person with whom the group is linked and depends heavily on his support. The group has a link with another influential person in the locality, Chakradhar Lenka (Homeopathy doctor and president of Pani Panchayat) who helps the group in maintaining integrity and in calculation of interest on loan to members.

Maa Nilakantheswari, Karkata, Gunduri: The SHG has no idea about any financial transactions the group has executed. The group has no information on individual or group savings, amount of bank loan, interest or principal repaid, expenditure incurred in IGA and profit and loss situation of the SHG. The entire financial transactions, management and records are maintained by husband of one of the members. It seems another local youth is also assisting him to manage this group. The control of these actors on the group is immense.

4. Institutional design and governance outcomes

4.1 Inclusion

Inclusion in Membership

The SHGs have limited and fixed number of members as decided by the group. In general the SHGs have 10-13 members and the groups are not keen to add new members. NABARD recommends a group size of maximum 20 women and that seems to be the acceptable practice. In that sense the groups can potentially increase its membership, but the groups are less than willing. The SGSY guidelines also somehow peg the maximum number of members at 13 to gain maximum advantage of subsidy.

It is also observed that members are being selected on the basis of their close proximity and contacts. They are normally from the same hamlet and consist of relations and extended relatives. No conscious efforts are being made by groups to include the marginalized residing in other hamlets of the village. Hamlets having poorest of the poor and marginalized people do not have SHGs. It is also evident that early SHGs generally consist of women belonging to households with better economic standing.
The organization by design consists of members who have certain saving capacity per month. There are strong indications that this by design is likely to exclude poorest of the poor at the community level that may not have the capacity to save between 20-30 rupees a month. The absence of groups where monthly savings are flexible and members can deposit as per their individual capacity, limits inclusion of poorest of the poor. Such models may be operationally difficult to manage but are possible. Promotion of SHGs by SHPIs with lower monthly deposit such as Rs. 2/- or Rs. 5/- has been tried and abandoned as the cost of servicing such groups is significantly higher than the rate of capital formation. Such groups also take a longer time to reach a threshold level of savings to fund minimum IGA activities of members and to establish bank linkage.

Inclusion in Leadership

Leadership in SHGs is decided democratically; however it is observed that members with better education and economic status are quite often selected as leaders. Invariably the selected leaders are more vocal and influential than their peers. Most of the groups stated that they selected leaders who are more educated and vocal enough to interact with Government official.

The rotation of leadership among members is not easily observed. The initial leaders seem to hold leadership position in perpetuity and do not create opportunity for others to assume such responsibility.

Benefit Distribution

A member of SHG can borrow funds from the group savings or group loan accessed from bank. It is observed that loan to members from group savings is mostly need based. However, the loans accessed from bank are generally distributed equally among members since these are joint liability loans.

The distribution of loans from group saving should ideally be decided by members of the group and should be given to the most needy member with emergent needs. In general the groups seem to be following this principle in distribution of loan. However, in certain groups the distribution of loan from group savings is done equally irrespective of the member requirement. Additionally there are indications that in some groups the leaders have taken comparatively higher loans than rest of the members.

4.2 Representation

The usual norm for meeting in SHG across location is once in a month (12 in a year). The meeting is usually conducted on a fixed or convenient date and takes place generally in the afternoon or evenings. The meeting venue is fixed and known to people and is usually a school, temple or someone’s house. Agenda for the meeting is not fixed in advance and is decided at the beginning of the meeting. All the members are expected to attend this monthly meeting.

<table>
<thead>
<tr>
<th>District</th>
<th>SHG, Village, Gram Panchayat</th>
<th>Meeting</th>
<th>Participation</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bhadrak</td>
<td>Mother Teresa, Ambroli</td>
<td>Regular</td>
<td>Good Participation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gopal Jew, Ambroli</td>
<td>Regular</td>
<td>Good Participation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Man Mangla, Talanga, Ambroli</td>
<td>Regular</td>
<td>Good Participation</td>
<td>Higher than norm</td>
</tr>
<tr>
<td></td>
<td>Mani Durgati Nasini, Sabrang</td>
<td>Regular</td>
<td>Good Participation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mani Santoshi, Sabrang</td>
<td>Irregular</td>
<td>Average Participation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mani Saraswati, Goranati, Sabrang</td>
<td>Regular</td>
<td>Good Participation</td>
<td></td>
</tr>
<tr>
<td>Kalahandi</td>
<td>Nilakantheswari SHG, Kerketa, Gunduri</td>
<td>Irregular</td>
<td>Good Participation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Routpada Mahila Mandal, Gunduri</td>
<td>Highly Irregular</td>
<td>Poor Participation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nilakantheswari Mahila Mandal, Gunduri</td>
<td>Irregular</td>
<td>Average Participation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mani Chandi, Lanjigarh Road</td>
<td>Regular</td>
<td>Good Participation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mani Bharavi, Kidding, Lanjigarh Road</td>
<td>Regular</td>
<td>Good Participation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mani Mauli SHG, Kidding, Lanjigarh Road</td>
<td>Irregular</td>
<td>Good Participation</td>
<td></td>
</tr>
</tbody>
</table>

Source: MRI Study 2007 / Sutra
It is observed from the records that most of the SHG conduct their meetings on a regular basis in Bhadrak, while the meetings are irregular in Kalahandi. Except for one SHG in Kalahandi (Routpada Mahila Mandal, Gunduri) where there has been only one meeting after formation in 2005, the other SHGs have conducted at least 8 meetings in a year. The participation of members in the meetings is generally high and the lowest participation would average at about 80 percent. The participation of members in meetings is higher in Bhadrak and would be about 90 percent.

4.3 Responsiveness

The SHGs are generally responsive to demands from members. Requests of individual members are discussed in the group meetings and if the demands are genuine and within the institutional domain they are acted upon. Generally these requests pertain to request for late savings and request for loans or rescheduling of repayments.

The SHGs seems to be quite responsive in prioritizing the needs of its members. The demand for loan by various members are usually prioritized in a group meeting and quite often members facing difficult situation such as health problems in the family, daughter’s marriage, educational expenses and such other emergent needs are met first. There are number of instances when leaders and members have pooled and deposited monthly saving on behalf of a member who for some reason is unable to save in a particular month.

The groups sometimes respond to difficulty situation of their members and try to reschedule repayment of interest and principal and in exceptional cases even waive off interest burden. Maa Mauli, Kidding, Lanjigarh Road has waived interest for certain members in the past.

4.4 Accountability

SHGs are not legally accountable to anyone other than its group members. However, they remain accountable to a reasonable level to promoting institutions such as NGO, AWW and Banks and share all records and accounts if necessary. It is evident from the study that the groups are accountable to external higher-level institutions in case it is undertaking Income Generating activities that involves resources from other institutions such as PDS and MDM schemes. In such cases the SHG is accountable to Gram Panchayat and block office. The SHGs are accountable to the bank for loan taken under SGSY or SHG bank linkage program. SHGs linked to cluster or block level federations, submit monthly reports on their activities. For instance Maa Santoshi, Sabrang submits monthly report in monthly meeting to Jugashakti Mahasangha.

They have high accountability to their members and any member can access and verify records and financial transaction. It cannot deny loan to a member without valid reasons and the group accounts are open to all members. By and large all major financial transactions are discussed and decided in a meeting. Small transactions such as reimbursement of travel and other consumables are reported and shared. They generally do not conduct audits since their volume of transaction is small. Members who are unable to attend some meetings are informed about major decisions taken in the meeting. In fact each meeting starts with sharing of subjects discussed and decisions agreed during the last meeting.

4.5 Adaptability and adaptive capacity

It is observed that the organization has adapted to the changing scenario and have seized livelihood opportunities for their group. The groups have adjusted their membership size to make best of benefits from availing loan under SGSY program. They have also added new activities such as construction works, leasing & renovation of ponds, PDS & MDM because of the various opportunities which were available to them under various Government schemes. However, improving institutional capacity is critical to enable them to manage large volume of funds and undertake multiple livelihood activities. For instance in Kidding village the SHG group under
taking PDS activities had made a huge loss due to their inadequate handling of the program. Similarly, Maa Nilakantheswari in Karkata village had taken SGSY loan for goatary activity and had made huge losses due to death of large number of goats as a result of some disease. Though they had insured their goats, but could not get their insurance claim since they had not kept the tags in a proper manner.

4.6 Comparative Summary of Governance Outcome

A comparative summary of governance outcomes is provided below for SHGs covered during the case study.

Table 13: Comparative Summary of Governance Outcomes in SHGs

<table>
<thead>
<tr>
<th>SHG</th>
<th>Inclusion</th>
<th>Representation</th>
<th>Responsiveness</th>
<th>Accountability</th>
<th>Adaptability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mother Teresa, Ambroli</td>
<td>Low, limited membership and organization not keen in expanding membership. Members belong to General caste under BPL.</td>
<td>Medium representation. Meetings are regular and participation is high. Decisions by leaders only.</td>
<td>High Responsiveness to member requirement.</td>
<td>High accountability to members and bank. No accountability to other agencies or ICDS.</td>
<td>Medium adaptability. Depend on external help for accounts, bank transaction and collection of RGA activity. Taken advantage of SGSY and other KIA opportunities.</td>
</tr>
<tr>
<td>Gopap Jaw, Ambroli</td>
<td>Low, limited membership and organization not keen in expanding members. Members belong to SC under BPL.</td>
<td>Medium representation. Meetings are regular and participation is high. Decisions by members to certain extent. President and ex-sarpanch take all major decisions.</td>
<td>Medium responsiveness to member requirement.</td>
<td>High accountability to members. Accountable to CDPO and other officials at the Block level.</td>
<td>Medium adaptability. Expanded membership to take maximum advantage of SGSY subsidy. Taken village pond on lease for RGA.</td>
</tr>
<tr>
<td>Max Mangal, Talanga, Ambroli</td>
<td>Low, limited membership and organization not keen in expanding membership. Members belong to SC under BPL.</td>
<td>Medium representation. Meetings are regular and participation is high.</td>
<td>Medium Responsiveness to member requirement.</td>
<td>High accountability to members. Accountable to bank.</td>
<td>Medium adaptability. They selected dairy as IGA activity based on bank opinion even though they were not sure. Has taken MDM and PDS.</td>
</tr>
<tr>
<td>Max Durgati, Nasini, Sabrang</td>
<td>Low, limited membership and organization not keen in expanding membership. Members belong to OBC under BPL.</td>
<td>High representation. Meetings are regular and participation is high. Decisions mostly by members.</td>
<td>Low responsiveness to member requirement. Loan amount is equally distributed.</td>
<td>High accountability to members.</td>
<td>Weak adaptability. The members have invested in bangle business even if it is not doing well. The group has high risk perception of various IGA activities.</td>
</tr>
<tr>
<td>Max Santoshi, Sabrang</td>
<td>Medium limited membership and organization not keen in expanding members. Members belong to mixed caste, both under BPL and APL.</td>
<td>Low representation. Meetings are irregular and participation is average. However, decisions mostly by members.</td>
<td>High Responsiveness. Relatively poor members are given preference for loan.</td>
<td>High accountability to members. High Accountability to promoting NGO and SHG Federation.</td>
<td>Medium adaptability. Group has undertaken limited IGA activities, however this has been decided mostly by the NGO staff.</td>
</tr>
<tr>
<td>Max Saraswati, Gisurami, Sabrang</td>
<td>Low, limited membership and organization not keen in expanding members. Members belong to SC under BPL and APL.</td>
<td>Medium representation. Meetings are regular and participation is high. Decisions mostly by Secretary.</td>
<td>Medium Responsiveness to member requirement.</td>
<td>Medium accountability to members.</td>
<td>Weak adaptability. The organization is not mature and has not selected RGA activities. Most of the loans have been used for agriculture.</td>
</tr>
<tr>
<td>Nilakantheswari SHG, Karkata, Gunduri</td>
<td>Low, limited membership and organization not keen in expanding members. Members belong to SC under BPL.</td>
<td>Low representation. Meetings are irregular, but participation is high. Decisions mostly by members.</td>
<td>Medium Responsiveness to member requirement.</td>
<td>Medium accountability to members.</td>
<td>Medium adaptability. The organization has undertaken activities based on local opportunities such as MDM and PDS. But, depend on others for financial management.</td>
</tr>
<tr>
<td>Keitpadra Mahila Mandal, Gunduri</td>
<td>Low, limited membership and organization not keen in expanding members. Members belong to ST under BPL.</td>
<td>Low representation. Meetings are irregular and participation is poor. Decisions mostly by Secretary. Wateredsecretary informally influences decisions.</td>
<td>Low Responsiveness to member requirement.</td>
<td>Low accountability to members.</td>
<td>Weak adaptability. Unable to resolve conflicts among members and take advantage of support available from Watershed Committee.</td>
</tr>
<tr>
<td>Nilakantheswari Mahila Mandal, Gunduri</td>
<td>Low, limited membership and organization not keen in expanding members. Members belong to ST under BPL.</td>
<td>Low representation. Meetings are irregular and participation is poor. Decisions mostly by members.</td>
<td>Low Responsiveness to member requirement.</td>
<td>Low accountability to members.</td>
<td>Weak adaptability. Unable to resolve conflicts among members and take advantage of support available from Watershed Committee.</td>
</tr>
<tr>
<td>Max Chand, Lankigadi Road</td>
<td>Low, limited membership and organization not keen in expanding members. Members belong to SC under BPL and APL.</td>
<td>Medium representation. Meetings are regular and participation is high. Decisions mostly by members.</td>
<td>Medium Responsiveness to member requirement.</td>
<td>High accountability to members.</td>
<td>Medium adaptability. Initiated few IGA activities, but members lack capacity in planning and taking advantages of opportunities.</td>
</tr>
<tr>
<td>Max Bharati, Lankigadi Road</td>
<td>Low, limited membership and organization not keen in expanding members. Members belong to OBC and ST (1) under BPL.</td>
<td>Medium representation. Meetings are regular and participation is high. Decisions mostly by members.</td>
<td>Medium Responsiveness to member requirement.</td>
<td>Medium accountability to members.</td>
<td>Weak adaptability. The SHG is not sufficiently matured and has not initiated any group RGA activity.</td>
</tr>
<tr>
<td>Max Mauli SHG, Lankigadi Road</td>
<td>Low, limited membership and organization not keen in expanding members. Members belong to ST under BPL.</td>
<td>Low representation. Meetings are irregular, but participation is high. However, decisions mostly influenced by leaders.</td>
<td>Medium Responsiveness to member requirement.</td>
<td>Medium accountability to members.</td>
<td>Weak adaptability. The group has made significant losses from PDS dealership due to which the group is not interested to initiate new activities.</td>
</tr>
</tbody>
</table>

Source: MRI Study 2007 / Sutra

The membership in SHGs is generally limited to 10-13 members and the groups are not interested in expanding membership to include others. The groups are mostly caste homogenous and include members from the same hamlet. Ability to save the prescribed monthly amount somewhat excludes poorest of the poor from membership of SHGs. Flexible monthly saving amount was not observed in any of the case sites that can potential reach to the poorest in the village.
Majority of the SHGs have regular meeting and good representation. SHGs in Kalahandi seem to have poor representation than SHGs in Bhadrak. Inadequate capacity building support from their promoting institutions in group operation and management seems to be the main reason for this. Poor literacy and awareness of group members also seems to be effecting representation. In contrast, the SHGs in Bhadrak seem to have better institutional maturity. The decisions are normally taken by members; however the influence of leaders and other actors seems to be very strong in few cases.

The responsiveness to members demand is medium to high among SHGs in Bhadrak. In contrast the responsiveness to member is low to medium among SHGs in Kalahandi. In general, SHGs in Kalahandi have low capital formation from member savings. Some are yet to achieve bank linkage, while others have received first credit dose from banks. Additionally, benefits from group IGAs in most of the cases have not yielded profit and in few cases have failed. Further, most of these SHGs seem to heavily depend on others for their operation and management. This to a large extent has affected the ability of these SHGs to respond to member’s demand for credit support. Two of the SHGs covered under Gunduri were defunct for few years and continues to suffer from internal conflicts among members. In contrast, SHGs in Bhadrak have better capital formation and in most of the cases the IGAs have benefited the group and the organizations seem to have adequate capital to respond to member’s requirement for credit.

The SHGs in general are accountable to their members irrespective of the location. However, most of the members including leaders in Kalahandi seem to be unaware of the financial status and present level of resources and completely depend on outside help for financial transaction and book keeping. SHG leaders in Bhadrak are relatively better informed regarding financial details of their organization, but most of the other members have very little information.

All the SHGs covered during the study have low to medium adaptability and adaptive capacity. This however seems to be a function of institutional maturity and older groups has seized opportunities for undertaking group based IGAs. Some of the SHGs in Kalahandi suffer from internal conflicts, which they are unable to resolve affecting its capacity to undertake activities for its members. In cases where the outcomes of group IGAs have been unfavorable, the groups are unable to cope with losses and start new activities. In general, most of the groups need capacity development in areas related to financial management, accounting, business planning and technical support for selection of IGA and market linkage.

5. Institutional design and Livelihood Outcomes

5.1 Livelihood Activities of SHGs

In general the SHGs have created livelihood opportunities for its members, however livelihood outcomes significantly varies with group. The organization design ensures formation of capital through accumulation of small savings of women members, which are subsequently used by members for undertaking livelihood activities. The SHG bank linkage has also ensured that saving capital is augmented by debt capital that sufficiently meets credit requirement of rural poor. Poor women in general have poor access and control of livelihoods capital of all forms. The SHGs by design have ensured that at least one form of capital (financial) is securely available to women and this provides an opportunity for them to convert this asset into other forms of livelihoods assets considered necessary for devising a livelihood strategy.

The study of SHGs at various sites reveals that women members have used access to financial capital in devising reasonably sound livelihood strategies. Members have not only used the financial resources available to them to meet their immediate emergencies, but have used them as investments that ensured livelihoods benefit for their family. Among the most emergent needs of members, the requirement during health emergencies has been adequately met.
The SHGs have undertaken both individual and group based income generating activities. Usually loan from the savings deposit and the fund received from bank linkage has been used to meet individual member’s requirement. Group based activities have been initiated by groups who have been able to link up with the SGSY program. The individual loan to members have been used in variety of ways; meeting emergency needs, supporting livelihood activities of family members, livelihood ventures by members and for consumption smoothening.

Table 14 gives a broad overview of individual and group based activities that have been undertaken by the groups. It is evident that some groups have provided loans to their members for specific purposes, while others have supported variety of individual requirements. It is evident from the focus groups that SHGs who have limited savings or have mobilized limited funds through banks have restricted lending to members. The loans to members in such cases seem to be prioritized around few select activities. Some of the SHGs in Kalahandi such as Routpada Mahila Mandal, Gunduri, and Nilakantheswari Mahila Mandal, Gunduri, have poor institutional stability because of internal problems among members and leaders and do not prefer to give loans to members, but focus on savings and/or funding group based activities.

### Table 14: Livelihood Activities of SHGs

<table>
<thead>
<tr>
<th>Activities of SHGs</th>
<th>Maa Durgati Nasini, Sabrang</th>
<th>Maa Saraswati, Garamati, Sabrang</th>
<th>Maa Santoshi, Sabrang</th>
<th>Maa Gurung, Talang, Ambrol</th>
<th>Maa Mangla, Ambrol</th>
<th>Mother Teresa, Ambrol</th>
<th>Gopal Jew, Ambrol</th>
<th>Maa Mangla, Ambrol</th>
<th>Maa Maa Chandi, Lanjigarh Road</th>
<th>Maa Bharavi, Koding, Lanjigarh Road</th>
<th>Maa Mauli, Koding, Lanjigarh Road</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Activities</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Emergency Needs</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Livelihood Activities of Family</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Livelihood Ventures by Member</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Consumption Smoothening</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Group Activities</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Emergency Needs of Family Members</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Livelihood Activities of Family</td>
<td>Agriculture</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Livelihood Ventures by Members</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Consumption Smoothening</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Source: MRI Study 2007 / Sutra</td>
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</tr>
</tbody>
</table>

### Emergency Needs of Family Members

The study reveals that members have used borrowing from the group to meet emergency needs of family including health emergencies and treatment, educational requirement of children and important social occasion such as marriage in the family.

### Livelihood Activities of Family

Agriculture is the most common livelihood activity of the family that is supported by SHGs. Significant portion of loan has been utilized in purchase of inputs, hiring of labor and implements. There are other instances where other livelihood activities of family members have been supported by these groups.

### Livelihoods Venture by Members

Livelihoods venture by members forms a significant proportion of total borrowing by members in few SHGs. For instance, members of Maa Durgati Nasini, Sabrang, are engaged in selling bangles and cosmetics by traveling to neighboring villages and the entire amount they have received from bank (SGSY) has been invested in the business. Loan amount from the group savings have been spent, both in the business and meeting other requirements of members. Similarly, members of Routpada Mahila Mandal and Nilakantheswari Mahila Mandal have invested mostly in livelihood activities.

### Consumption Smoothening

Use of loans by members for consumption smoothening was explicitly reported by few groups. This relates to use of loan for meeting day to day household expenditure on food, education and
others. However, there are few groups (more in Kalahandi) that did not mention use of loan for such purpose.

**Group Based Activities**

Most of the SHGs have initiated Group based income generation activities. Two groups in Bhadrak and one in Kalahandi have not initiated any group based activities. Even though Maa Durgati Nasini, Sabrang, has received SGSY fund, they have divided the fund equally and invested in their individual business rather than initiating a group based activity.

Among the groups that have undertaken group based activities, one in Bhadrak (Maa Santoshi, Sabrang) and four in Kalahandi have not received SGSY support. Apparently groups in Kalahandi are keen to start livelihood activities jointly rather than individually from the groups saving. While this seems to be a positive indication; the groups in Kalahandi have members who have poor literacy and exposure and relatively higher risk perception associated in investing alone. It is evident from the discussion that groups irrespective of the location have seized all available opportunities for starting livelihood activities (PDS, MDM, etc.). The groups in Bhadrak prefer fishery or diary activities (identified activities for the district under SGSY), while the SHGs in Kalahandi have preference towards goatery, rice business or leaf plate making. The selection of group activities seems to be clearly influenced by the agro-climatic condition and local availability of resources.

**5.2 Impact on Adaptive Capacity of SHG Members**

The increase in adaptive capacity of members can be analyzed across three broad dimension of influence; Vulnerability Reduction, Social Capital and Empowerment.

**Vulnerability Reduction**

It is evident that the SHGs have been able to reduce the vulnerabilities of its members related to seasonality by providing credit support to meet emergency needs and consumption smoothing requirements. The requirement of investments (increased expenditure) prior to the start of the cultivation season has been effectively met from support of SHGs. The family members who otherwise use to borrow from other sources at an exorbitant interest rate (5-10 percent per month reported) could reduce their interest burden by borrowing through the groups at 3-4 percent (some of the members charge 1 percent higher to their husband and family members and keep the spread as their earning). The shortage of food or health related problems and changes in household income and expenditure level during lean season has been reasonably met through borrowing from the group. However, the extent of vulnerability reduction associated with seasonality varies with resource capacity of the groups to support member requirements. The SHGs in Gunduri Gram Panchayat seems to have lower capacity to assist its members during difficult times in a year. The SHGs have poor resource base (recently formed, small loan amount from bank, lost capital in IGA, etc.) and the mutual trust and cohesiveness among members is yet to develop. Additionally, these groups are dominated by leaders or outsiders who have strong influence on their decision and functioning. In general, matured SHGs are likely to support range of requirements of members including those associated with seasonality.

The SHGs seems to have been making efforts in enhancing the capacity of members to mitigate vulnerabilities associated with economic trends. The economic trend particularly increasing prices, while returns from agriculture remaining constant (or has marginally increased), has encouraged members to initiate livelihood activities to enhance household income. The case study reveals that most of the groups have been reasonably successful in their efforts in about half the cases. It is also evident that members and groups are attempting multiple activities to reduce their risk of downturn from a particular activity. Groups with lower livelihood outcomes for members are seeking newer opportunities to mitigate the impact of these trends.
Social Capital

There is a definite increase in the social capital and the members seem to be better connected to others as a result of the SHGs. While the increased social capital may only be evident from instances of collective actions initiated by few groups; the general sense of togetherness and camaraderie that has emerged as a result of this organization is noticeable. For instance, Maa Bharavi, Lanjigarh Road, with six other SHGs assisted Watershed Committee in a rally to stop sale of liquor in their villages. Meeting was conducted, petition was submitted to district authority and local breweries were broken by the group. Based on the information provided by them the police took action against illegal breweries operating in various villages. Consumption of liquor has reduced in these villages and illegal sale has almost completely stopped.

Similar there are other examples where SHGs in close coordination with the ASHA and ANM have influenced other women in the village for improving maternal and child health and organized vaccination and check-up camps in their village and school. Maa Mauli, Lanjigarh Road, has encouraged its members and other women to send their children to school. The group feels that these are additional responsibilities of SHGs and falling to initiate action would be embarrassing for them when they meet government official.

Empowerment

Irrespective of the financial performance of the groups, it is evident and well reflected during various discussions that members of this organization take great pride in the institution that they have created. In general there is a high level of enthusiasm and keenness to share and connect with other organizations to expand their visibility. Across sites, it was observed that SHGs were extremely willing (in fact pushy in certain cases) to share their work and achievement with the research team and explore improvements or benefits that they can derive from the interaction. The members are generally more vocal than other women in the village, travel outside (bank, block and market) individually or in group, hold funds and are extremely happy to participate in various meetings organized by CDPO, block, political leaders, NGOs and others. The members reflect higher level of confidence and are not shy to interact with people and seem to be relatively independent.

5.3 Comparative Summary of Livelihood Outcome

A comparative summary of livelihood outcomes is provided in Table 15 for SHGs covered during the case study.

The livelihood outcomes from SHGs in general vary from low to medium across sites. SHGs in Kalahandi have comparatively lower livelihood outcomes for its members than SHGs in Bhadrak. Most of the SHGs in Kalahandi consist of members who are largely illiterate and has lower understanding of group functioning. The capacity development support from their promoting institutions also seems to be limited. Some of these groups particularly in Gunduri were defunct for few years and have been revived through support from watershed committee. However, these groups continue to suffer from internal conflicts among members and leaders. SHGs in Kalahandi have lower capital formation due to irregular saving and poor bank linkages. Only one SHG has received SGSY support in Kalahandi as compared to three in Bhadrak. Some of the SHGs have initiated IGA for the group, but the results are not very encouraging.

SHGs in Bhadrak are relatively older and mature groups and five out of six has achieved bank linkage. Three of them have managed SGSY loan-cum-subsidy due to support from local influential individuals. The SHGs in Bhadrak seem to be favoring fishery activities and have taken Panchayat pond on lease. The SHGs have better saving and higher capital accumulation, which they have used to support multiple activities of members and initiate IGAs for the group.
In spite of the difference in livelihood outcomes of groups, the benefits seem to be equitably shared among members in most of the cases. Inequity in outcomes is observed in few cases where there are internal problems between members and leaders. However, careful examination of records reveals that leaders tend to borrow more than other members and have higher loan outstanding. The individual outcomes also vary with members and some members seem to have better outcomes because of individual effort.

6. Findings

6.1 Awareness about SHG among Members

The awareness among members regarding organizational purpose, activities, decision making process and institutional rule is higher among SHGs in Bhadrak as compared to SHGs in Kalahandi.

<table>
<thead>
<tr>
<th>SHG Members know organizational purpose</th>
<th>Ambroli</th>
<th>Goramati</th>
<th>Gunduri</th>
<th>Kidding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambroli Medium</td>
<td>91.7%</td>
<td>100.0%</td>
<td>83.3%</td>
<td>95.8%</td>
</tr>
<tr>
<td>Goramati Medium</td>
<td>75.0%</td>
<td>95.8%</td>
<td>66.7%</td>
<td>75.0%</td>
</tr>
<tr>
<td>Gunduri Medium</td>
<td>83.3%</td>
<td>87.5%</td>
<td>45.8%</td>
<td>70.8%</td>
</tr>
<tr>
<td>Kidding Medium</td>
<td>79.2%</td>
<td>87.5%</td>
<td>62.5%</td>
<td>70.8%</td>
</tr>
<tr>
<td>Ambroli Medium</td>
<td>66.7%</td>
<td>79.2%</td>
<td>33.3%</td>
<td>62.5%</td>
</tr>
<tr>
<td>Goramati Medium</td>
<td>83.3%</td>
<td>87.5%</td>
<td>70.8%</td>
<td>66.7%</td>
</tr>
<tr>
<td>Gunduri Medium</td>
<td>87.5%</td>
<td>87.5%</td>
<td>66.7%</td>
<td>66.7%</td>
</tr>
<tr>
<td>Kidding Medium</td>
<td>83.3%</td>
<td>91.7%</td>
<td>75.0%</td>
<td>70.8%</td>
</tr>
<tr>
<td>Ambroli Medium</td>
<td>87.5%</td>
<td>91.7%</td>
<td>70.8%</td>
<td>54.2%</td>
</tr>
<tr>
<td>Goramati Medium</td>
<td>87.5%</td>
<td>87.5%</td>
<td>70.8%</td>
<td>70.8%</td>
</tr>
</tbody>
</table>

Source: MRI Study 2007 / Sutra

In Ambroli, more than 75 percent of the members seem to be familiar with various institutional processes and functioning. The awareness among members regarding organization rule was found to be lowest (66.7 percent) among all parameters in Ambroli. Members of SHGs in Goramati village under Sabrang GP have high awareness regarding various dimensions of organizational functioning (approximately 90 percent). The awareness of members regarding the organizational rule was again the lowest among all other parameters at about 79.2 percent.
In Gunduri GP at Kalahandi, only one-third of the members reported awareness about organizational rules while less than half (45.8 percent) reported poor awareness regarding responsibilities of members. 62.5 percent of the members in this village reported awareness regarding responsibility of the leaders and 66.7 percent knew how decisions in their organization are taken. In Kidding under Lanjigarh Road GP, 54.2 percent of the members know how conflicts are resolved in their SHG (lowest among all parameters). Awareness about other functionality of SHGs varies from 60 to 75 percent.

6.2 Involvement of Members in Activities of SHG

Table 17 provides a comparison of members action related to SHG functioning. It is evident that the involvement of members in the organizational functioning is higher in case of SHGs in Bhadrak as compared to SHGs in Kalahandi.

While member’s attendance in meeting is high, the participation is lower in Kalahandi than in Bhadrak. The involvement of members in demanding better services for own and others, and requesting financial disclosure is lowest in Kidding village under Lanjigarh GP. Discussion on subjects beneficial to women and the community are not taken by SHGs in Kidding. The groups seem to have desirable cohesiveness among members, but have poor opinion on organizational capacity in this village.

<table>
<thead>
<tr>
<th>Table 17: Participation of Members in Organizational Functioning</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Member Action in Organization</strong></td>
</tr>
<tr>
<td>Ambrolí</td>
</tr>
<tr>
<td>SHG Members attend meeting regularly</td>
</tr>
<tr>
<td>SHG Members actively participate in decision making</td>
</tr>
<tr>
<td>SHG Members try to ensure that all members benefit equally</td>
</tr>
<tr>
<td>SHG Members put pressure on a erring member to abide by the organizational norm</td>
</tr>
<tr>
<td>SHG Members help a member if he is facing a crisis</td>
</tr>
<tr>
<td>SHG Members demand services from organization in favor of a member</td>
</tr>
<tr>
<td>SHG Members put pressure on organization to share financial information</td>
</tr>
<tr>
<td>SHG Members put pressure on organization to provide better services</td>
</tr>
<tr>
<td>SHG Members discuss issues of importance for women in the village</td>
</tr>
<tr>
<td>SHG Members discuss issues that are beneficial for the entire community</td>
</tr>
</tbody>
</table>

Source: MRI Study 2007 / Sutra

6.3 Performance of SHGs

The member survey attempted to evaluate the performance of SHGs for its members and other women in the community.

<table>
<thead>
<tr>
<th>Table 18: Performance of SHGs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Performance of Organization for Member and Community</strong></td>
</tr>
<tr>
<td>Ambrolí</td>
</tr>
<tr>
<td>The organization is working for the benefits of its member.</td>
</tr>
<tr>
<td>The organization is working to enhance livelihoods of its members.</td>
</tr>
<tr>
<td>The organization has helped to undertake livelihood activities.</td>
</tr>
<tr>
<td>The organization has increased access to market and outside agencies.</td>
</tr>
<tr>
<td>The organization has helped to improve the management of resources such as land, water, CPRs, etc.</td>
</tr>
<tr>
<td>The organization has helped to improve the community as a whole.</td>
</tr>
<tr>
<td>The organization has increased network and connectivity among women in the village for mutual help.</td>
</tr>
<tr>
<td>The organization has increased network among women in the village for taking up social issues.</td>
</tr>
</tbody>
</table>

Source: MRI Study 2007 / Sutra

The performance of the organization on various dimensions related to functioning such as conflict resolution, transparency, adaptability, equity and benefits are found to be relatively better for SHGs in Bhadrak than in Kalahandi. Less than half of the members in Kidding feel that the
groups are working to enhance livelihood and is able to resolve conflicts. It is also evident that members of SHGs in this village find their organization to be less adaptive.

The extension of benefits from groups to other non-members in the community and the larger influence of organization in improving participation of women in the development and social change process seem to be limited in SHGs at Kalahandi. While the discussions with the groups indicate that there are positive actions by the group to initiate social and behavioral change it is evident that this has not resulted in improving formal participation of women at the village level and the impacts seem to be largely localized.

6.4 Relationship between design/functioning of institution and governance outcomes

**Founding Leaders have higher Control**

The study provides evidence that initial leaders of SHGs have key role in deciding membership and forming explicit and implicit organizational rules. This to a large extent decides the organizational rules that are accepted and applied later. Most of these organizational rules have not changed with time since the initial leaders continue to hold leadership positions in SHGs. Inclusion in leadership seems to be critical for improving internal governance in SHGs.

It is also observed that the organization leaders have better socio-economic, educational and social connectivity than other members of the group. They are also inherently more vocal and influential than others in the group. This to a certain extent has resulted in leaders exercising a strong control on the institution (more in Kalahandi).

**Poor Institutional Capacity is a Major Bottleneck**

The organizational has poor internal capacity to manage finance and records keeping and heavily relies on outside support. The poor literacy level of the members (more in Kalahandi) reduces the opportunity for transparency and accountability as the records are poorly maintained (not maintained in certain cases).

The leaders and members are almost unaware about individual and group savings, loan and interest dues and the overall financial performance of the organization. This is resulting in a situation where the leaders are finding it difficult to report the financial status of the organization accurately and confidently to their members. The members are not sure about the performance and are slightly suspicious about their leaders. Dependence on outside help is a burden to the group, besides carries the risk of misappropriation of funds.

6.5 Relationship between design/functioning of institution and livelihoods outcomes

**Limited Ability to Link Market and Absorb Market Risk**

One of the most limiting factor related to organization functioning is the poor institutional capacity to link market and absorb market risk. This is evident from the outcomes of number of livelihood activities undertaken by various groups particularly group based activities. It is quite understandable that increase in institutional capacity cannot happen quickly and is likely to increase with experience as groups identifies and engages in range of economic activities. However, the role of SHPI is crucial in building such capacity either through provisions of service organization or through a federated structure that can have necessary scale and operation to access market and negotiate risks.

**Group based activities are Driven by Guidelines**

The group based IGA selected are mostly the ones that are either recommended by the district SGSY committee or as per the government instructions. For instance, the SHG involvement in PDS and MDM is as per Government instruction that allows SHGs the first opportunity to select these activities. As a result the BDO and Sarpanch are encouraging SHGs to select these activities.
These activities seems to be complicated in view of the departmental linkages that one would have to maintain for managing these activities and it seems that neither the activities are scalable or highly profitable in comparison to other alternate livelihood options. Even though it is an acceptable principle in the banking sector that banks would not recommend or force their decision on SHGs there are evidences that suggest groups have selected activities under pressure from bank. Maa Mangla, Ambroli, was forced to select dairy as a group activity for SGSY by the bank, even though the group was interested to do soft toys or goatary from the fund. The group was skeptical about the profitability of the venture from the beginning and was not sure about their management capacity for dairy activity. The bank even recommended the farm from where the cows were to be purchased while the group was keen to purchase it locally. The livelihood outcome for the group has been unfavorable as a result.

6.6 Changes in institution and possible direction of future changes

It is expected that the SHGs would grow in numbers given the tremendous interest the Government and other promoting institutions have in the mFI sector. The entry of private sector bank to fund NGO and mFI with block loans has increased the fund available for credit purposes. It is reported that groups are being quickly organized and the loans are being disbursed by various promoting institutions without evaluating the credit absorbing capacity of these groups. The institutional strengthening process is being severely compromised in an urgency to disburse loan to gain from the spread. It is expected that a large number of groups would end with credit without concrete plans of IGA and may fall in debt trap. The NPAs are also expected to increase as credit recovery becomes difficult as a result.

Older groups with better understanding of their own capacity are likely to continue with judicious choice of livelihood activities and may access credit in a planned manner. The increase in number of SHGs with almost similar portfolio of livelihood activities may lead to development of association among groups, to gain economies of scale and efficiency in accessing markets.

7. Conclusion and Recommendations

Enhance Institutional Capacity of SHGs

The Self Help Groups covered during the study seem to have limited capacity in financial planning and management and lacks expertise for developing business plans for the organization. Most of the organizations depend heavily on outside support for financial calculation, transaction and accounting. While the promoting institutions have provided some training on these functional areas, this seems to be inadequate. Poor literacy and quantitative ability of members and leaders also limits development of these skills at the organizational level. Groups in Kalahandi consist of mostly illiterate members and almost in all the cases the financial transaction and accounting are managed by others. While groups in Bhadrak seem to have literate members, even then these functions are mostly performed by outsiders and relatives. Some of the groups pay for such services, but in most of the other cases the expenses incurred on travel and others are reimbursed. The selection of IGA by the groups is mostly as a result of influence by Bank, Panchayat, Block level office or others responsible for group operation and management. The groups find difficulty in selecting activities on their own and more importantly seem to lack the ability to evaluate benefits and risk factors associated with such ventures. In certain cases, the groups selected activities, which other groups have selected in their village. The groups also depend on male members of their family for execution of certain activities in IGAs such as fishery and diary.

Significant institutional capacity needs to be built through sustained training for SHGs to undertake these important organizational functions and to improve their governance, system and quality of assets and business ventures. The trainings needs to be designed in such a manner that illiterate women and communities with poor awareness and exposure are also able to take
advantage, learn and improve their organizational functioning. An essential component of the
training would be to increase the capacity of these groups to accurately calculate individual /
group savings and loan and estimate organization profitability and liability. Critical for them
would be to develop capacity of SHGs to identify business opportunity and evaluate their strength
and weakness vis-à-vis organizational capacity to manage these activities profitably. This would
also require skills in identifying market and financial risk and preparing strategies for addressing
them.

**Strengthening of SHPIs**

It emerges from the study that Self Help Promoting Institutions play a critical role in forming and
strengthening SHGs at the village level. This includes various NGOs, rural and nationalized bank,
cooperative societies, Government units (ICDS, Watershed), community based organization
(watershed committees, Vana Samrakshan Samiti) and others.

Strengthening these promoting institutions closely associated with SHGs would help improve
functioning of SHGs. While most of these promoting institutions are familiar with financial
management and accounting principles that needs to be adopted by SHGs and they do conduct
training programs for them; their programs need careful planning and strategizing to suit the
needs of illiterate and members lacking in exposure. Building capacity of community organizers
and staffs working with SHGs in such skills would be useful in improving quality of SHGs
promoted by them. Livelihood support services by SHPIs seem to be one of the weak areas that
need significant improvement. The livelihood support by SHPIs to SHGs in general is of advisory
nature and limited to selection of IGA. Most of these SHGs require practical support in selecting
and starting IGA and building market linkages.

**Promote Federated Structure**

Most of the SHGs, in spite of all necessary support may find difficult to scale up their activities
and establish market linkage. Low volume of production and slow rate of capital formation may
also limit their ability to access bigger and better market. SHGs also suffer from limited
opportunities of production and selection of IGA and in most of the cases the selection of activity
is governed by local market conditions. Typical IGA includes fishery, poultry, goatary, vegetable
cultivation, rice and rice based produce and other small enterprises, which can supply to local
needs. The competition among SHGs to meet local demand of such produce is likely to increase
with increasing number of SHGs unless newer livelihood activities are identified.

Promoting federated structure or a cluster approach for accessing bigger market may provide
opportunity for scaling-up economic activities undertaken by SHGs. Federated structure can
significantly enhance access to bigger capital, besides can be used for exchanging resources,
information and experiences and can be useful in promoting best practices among the groups.

**Livelihood Service Provision**

The SHGs covered during the study have mostly selected fisheries, dairy, goatary and
implementation of government program (MDM, PDS) as group IGAs. Most of the productive
activities need technical support such as veterinary services, training on feeds and upkeep of
livestock. Up-scaling these activities also require linkage to bigger market and clustering
approach. Most of the present production from IGAs is locally sold with support from male
members or outside help. The study highlights that most of the SHGs need support mainly in
three service areas; selection of business activity, technical support for production and market
access. While partly some support is available from promoting institutions and line department,
the availability of these services needs to be streamlined and a suitable provisions needs to be
created for providing range of livelihood support services. The DRDAs involved in making
training provisions from line department to SHGs would have to make necessary structure and
mechanism for providing these services to large number of SHGs who are keen to undertake economic activities after bank linkages.

**Review Credit Linkage Program**

The study indicates that some of the SHGs have been able to receive credit and SGSY loan-cum-subsidy through banks. The SGSY fund is available to groups who have passed the grading system adopted in evaluating group maturity and stability. SHGs who have not achieved bank linkages are trying to receive loans and most of them meeting SGSY criteria have made application for grading. SHGs who have managed bank linkage and/or SGSY funds have initiated various IGAs based on opportunities available and the outcome of these have been mixed. Majority of the SHGs have been moderately successful due to reasons such as poor capacity in business planning, excessive dependence on others for financial management and decision making, choice of IGA being guided by others, difficulties in managing government program (PDS and MDM) and low capital base. While Banks, Block and DRDA have developed their mechanism for evaluating SHGs before linking them to credit program, it is felt that these procedures needs to be carefully applied for selection of groups for credit linkage. A target driven approach for credit disbursement needs to be avoided and a reasonable regulatory mechanism is desirable to ensure that only mature SHGs with definite credit management plan are provided credit for their economic activities.